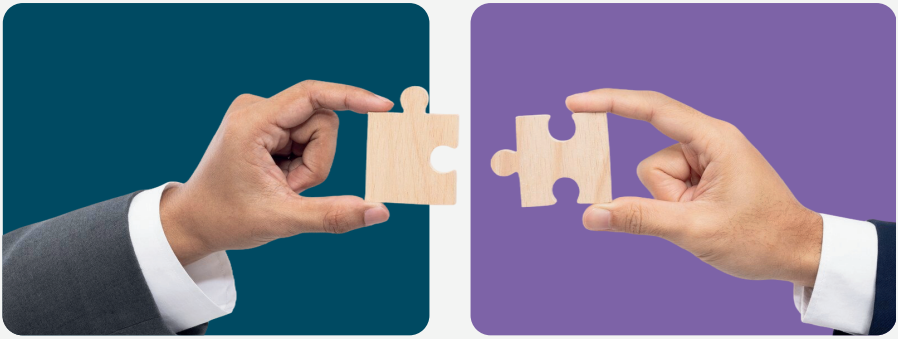
Iceland Liechtenstein Norway grants

Mirror Mission Cities Hub Romania

TOOLS FOR CLIMATE TRANSITION

Best-practice Guide for Public-Private Partnerships



UrbanizeHub

SHAPING THE FUTURE OF CITIES TOGETHER!

2025

TOOLS FOR CLIMATE TRANSITION
Best-Practice Guide for Public-Private Partnerships

This guide has been created and published as part of the project called *Climate-Neutral and Smart Cities: Planning, Piloting, Inspiring* (2024-2025) in collaboration with M100 Mirror Mission Cities Hub Romania.

Image credits: All the photographs used are royalty free or have been sourced from the official sources of the case studies presented.

Iceland Liechtenstein Norway grants

Norway grants

The initiative is supported by EEA and Norway grants through the Fund for Bilateral Relations, enabling valuable international collaboration and knowledge exchange.

Working together for a green, competitive and inclusive Europe.

UrbanizeHub

SHAPING THE FUTURE OF CITIES TOGETHER!

© Coordinator and publisher:
UrbanizeHub
urbanizehub.com - urbanizehub.ro

April 2025

Content list

Photo: Kevin Yudhistira Alloni, Unsplash

Foreword

What makes a city thrive in the face of climate change, inequality, and uncertainty?

More and more, the answer isn't found in technology alone — but in people. In how they're invited to be part of the decisions that shape their future. In how they're treated not just as users of the city, but as partners, co-creators, and catalysts of transformation.

This guide begins from that belief: that real change happens when we collaborate. But this idea didn't emerge overnight.

It's part of a broader story — one that spans decades, across Europe and beyond. In the decades after the industrial revolution, cities boomed. They became engines of economic growth, but also of pollution, sprawl, and inequality. For a long time, governments responded reactively — tackling problems only once they became crises. In the 1970s, the now-famous "Limits to Growth" report warned that infinite growth on a finite planet was simply not possible. It was one of the first signs that something had to change.

Since then, our thinking has evolved. We've moved from managing damage to imagining something better. From minimizing harm, to building systems that are sustainable — and then going further, toward regeneration. We now speak of a just and green transition: a way to shift our economies, infrastructures, and societies toward climate neutrality, without leaving anyone behind. This is not just about cutting emissions. It's about transforming how we live, how we move, and how we take decisions together.

In this context, cities matter more than ever.

Cities today are home to more than 70% of Europeans — and produce over 70% of global CO_2 emissions. As urban populations continue to grow, the way we plan, build, and govern our cities will decide much of our planet's future. But this also means cities are full of potential. They concentrate talent, resources, innovation, and civic energy. They can become living laboratories — places where citizens, local authorities, businesses, and universities come together to test new ideas, pilot new models, and scale what works. Cities are not just sites of challenge. They are spaces of possibility.

That's why the European Union has placed cities at the center of its climate and innovation agenda. Through the Mission for 100 Climate-Neutral and Smart Cities by 2030, coordinated by the European Commission's Directorate-General for Research and Innovation (DG RTD), cities are supported to become climate pioneers — developing ambitious action plans, involving citizens, and creating local alliances to cut emissions and improve quality of life. These cities, and the hundreds that will follow, are showing that transformation is possible when we work together.

At the same time, the New European Bauhaus (NEB) — an initiative of the Directorate-General for Regional and Urban Policy (DG REGIO) — brings in a cultural and creative dimension. It invites communities to reimagine how our surroundings can be not just sustainable, but also beautiful and inclusive. NEB projects transform public spaces, housing, and neighborhoods through participatory design and local knowledge. In both programs, participation is not a box to tick. It's a condition for success.

The message is clear: to meet our climate goals, we don't just need hard infrastructure — we need soft infrastructure, too. Relationships. Dialogue. Trust. Mechanisms that make collaboration real and fair. This is the foundation of what's increasingly called collaborative governance: a way of shaping decisions together, across institutions and communities, sectors and scales.

This guide is an invitation to learn how.

It contains two companion texts: one focused on public participation, the other on public-private partnerships. These aren't abstract frameworks. They are built on real-world practices already shaping cities across Europe. They offer tools, methods, and ideas that can be adapted in small towns or capital cities alike.

Whether you are a public servant, a local organizer, a planner, a student, a researcher, or simply a curious resident — this guide is for you. It is a starting point for understanding how collaboration works, why it matters, and how you can take part.

Because the transition to climate neutrality won't succeed without people. And the best way to bring people along is to give them a real seat at the table.

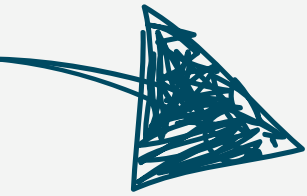
Let's begin — together.

Public - Private Partnerships

Collaborative arrangements between public authorities and private sector entities aimed at **creating public value** through infrastructure or services more **efficiently and sustainably**.

Key Components

Shared Goals
Both public and private partners align their objectives to deliver public services or infrastructure projects that meet societal needs, ensuring that the outcomes benefit the community at large.



Resource Sharing
PPPs involve pooling financial resources, technical expertise, and operational capabilities from both sectors, enabling the execution of projects that might be challenging for either party to undertake alone.

Risk Management
A fundamental aspect of PPPs is the strategic allocation of risks, assigning each risk to the party best equipped to manage it. This approach enhances project efficiency and effectiveness.

Photo: Cari Kolipoki, Unsplash

A European Landscape: Public-Private Partnerships

Europe has witnessed a growing shift in how public services, infrastructure, and innovation are delivered. At the heart of this shift lies the evolution of *public-private partnerships (PPP)*. Across the continent, PPPs have emerged not just as financing mechanisms, but as strategic tools for solving complex societal challenges—from urban mobility and green infrastructure to digital transformation and social inclusion.

European PPPs take many forms: long-term infrastructure concessions, urban regeneration schemes, social impact bonds, and innovation-driven partnerships in areas, such as health tech, circular economy, and smart cities.

Countries like the UK, France, the Netherlands, Germany, and Spain have been pioneers in developing institutional frameworks and legal instruments to support PPP delivery (EPEC, 2025).

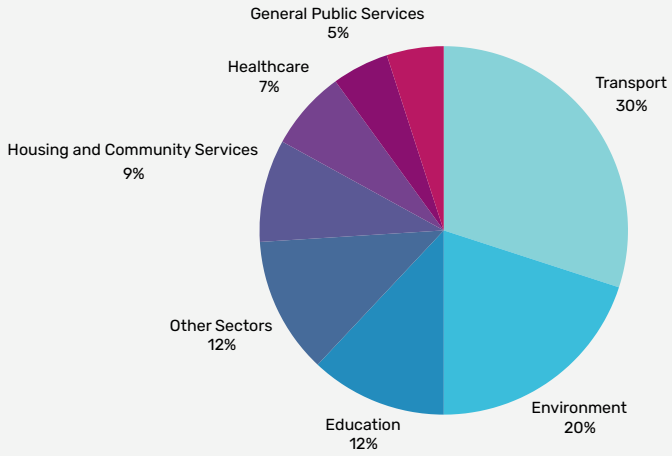
EU funds have been key enablers, especially in newer or smaller PPP markets. Instruments like the European Structural and Investment Funds (ESIF), the Just Transition Mechanism, and the Recovery and Resilience Facility (RRF) have supported project preparation, blended finance, and risk mitigation, while the European Investment Bank has played a key role in de-risking and co-financing projects, especially in cohesion regions.

In 2024, the European PPP market recorded 39 transactions reaching financial close, with a total value of €11.47 billion. While this represented a 17% drop in value compared to 2023, the number of projects slightly increased, indicating a shift toward smaller-scale, socially focused partnerships. The success of PPPs varies across Europe and is shaped by a mix of legal maturity, administrative capacity, market confidence, and access to funding.

Transport remains the dominant sector (€6.8 billion in 2024), including roads, urban mobility, and logistics infrastructure. However, education emerged as the second most active sector, with 15 projects, particularly in Belgium, Italy, and Portugal. Healthcare saw €873 million in investment, with projects in Portugal, Denmark, and the UK.

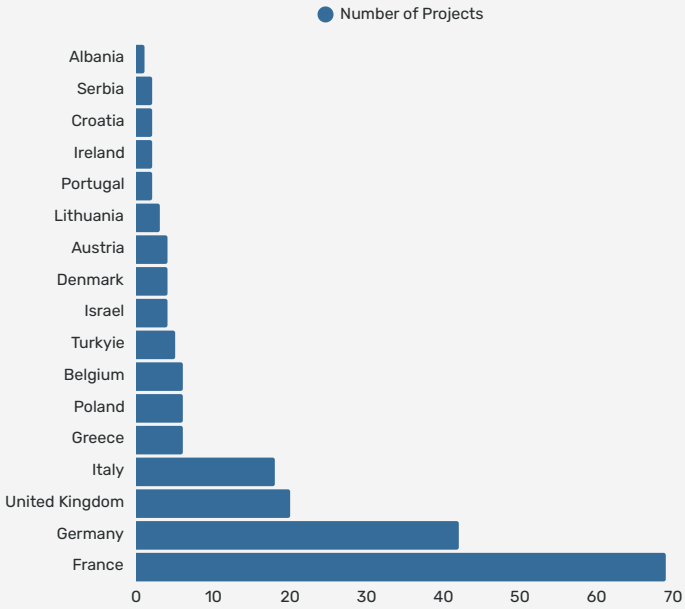
Overall, the European PPP landscape is becoming more diversified, policy-aligned, and integrated with broader EU investment strategies, particularly in support of the green and digital transitions.

Number of projects by sector in the pipeline (Source: EIB, 2025)



The PPP landscape in Europe is not uniform. Diverse governance cultures, regulatory frameworks, and levels of administrative capacity have led to fragmentation in uptake and success. In some regions, PPPs are embraced as pragmatic responses to fiscal constraints; in others, they are viewed with scepticism due to perceived issues of transparency, accountability, or public value.

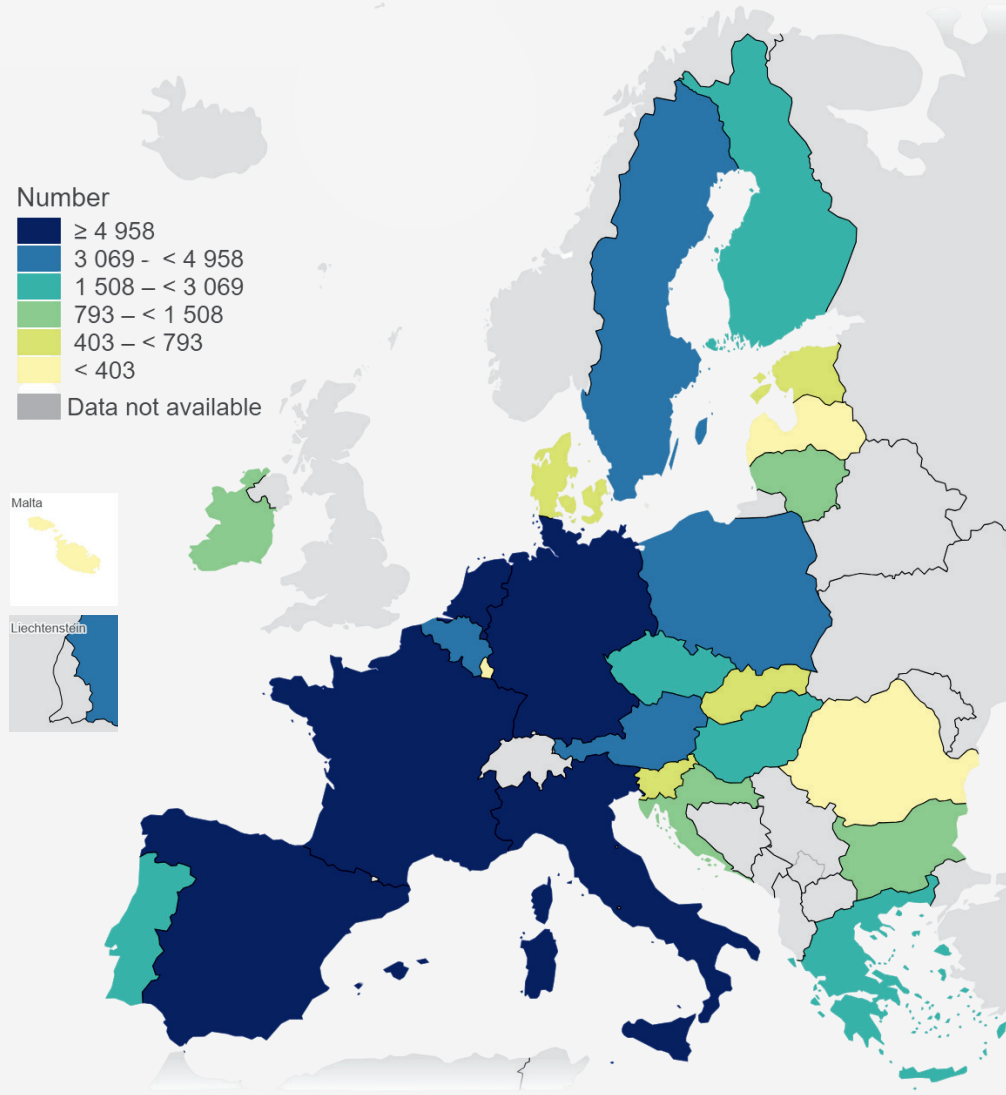
Evolution of the European public-private partnership market 2020-2024
(Source: EIB, 2025)



A useful proxy for a country's readiness to engage in innovation-oriented PPPs is the number of enterprises engaged in collaborative innovation with external partners. According to Eurostat data, this indicator reflects a country's capacity to support R&D-focused partnerships and cross-sector collaboration.

Cooperation on innovation (2022)

Enterprises that cooperated with other entities on innovation activities



Source: Eurostat (dataset code inn_cis13_co_r)

Administrative boundaries: © EuroGeographics © OpenStreetMap
Cartography: Eurostat – IMAGE, 05/2025

HIGH COLLABORATION ECOSYSTEMS **Over 4.9K enterprises**

Countries such as France, Germany, Italy, Spain, and the Netherlands lead in the number of enterprises co-operating on innovation. These countries:

- Have mature PPP frameworks and encourage cross-sector experimentation
- Excel in innovation procurement, smart infrastructure, and green transition projects
- Align closely with EU innovation and sustainability priorities

EMERGING INNOVATION PARTNERS **700 - 4.9K enterprises**

Countries such as Portugal, Austria, Poland, Czech Republic, and Finland demonstrate mid-to-high levels of enterprise collaboration. These countries:

- Are strengthening legal and institutional frameworks for PPPs
- Have benefited from EU structural funds to co-finance innovation
- Are increasingly integrating innovation partnerships and Living Labs into urban development

LIMITED INNOVATION COOPERATION **Under 700 enterprises**

Countries in Eastern and South-Eastern Europe—such as Romania, Bulgaria, Slovakia, Croatia, and Greece—show limited enterprise participation in innovation collaboration. These regions:

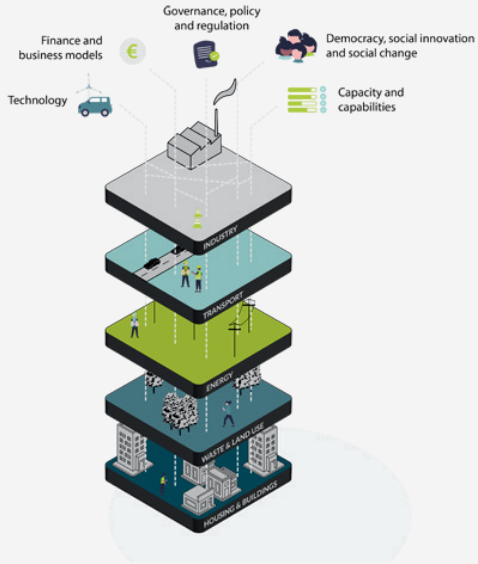
- Face structural barriers in innovation systems
- Have lower private sector R&D investment
- Are limited by weaker public-private coordination mechanisms

European frameworks enabling the rise of public-private partnerships

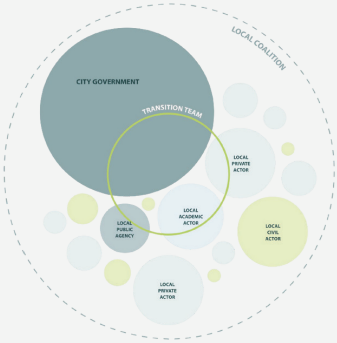
The term *public-private partnership (PPP)* was first mentioned in the 1950s in the United States to refer to joint projects between the public sector and non-profit organizations in the fields of education and urban renewal programs. Even though, concession contracts had long been used for centuries in Europe, it is only in 1977 that the the term entered the European official vocabulary. Under the new Labour government in the United Kingdom, it helped define a third way of delivering infrastructure, not just by either public or private entities, but through a partnership.

Following the expiry of Recovery and Resilience Facility at the end of 2026, a public financing gap is expected, that could reach 54 billion euros by 2030 (Reuters, 2025).

Innovation for Climate City Contracts
(Source: NetZeroCities)

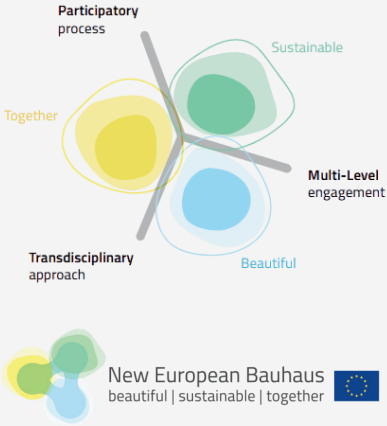


With public budgets increasingly redirected towards managing the current unstable political context, the private sector and funds can offer increased financial stability. This is especially the case for the innovation needed to support climate neutrality targets, an area where public-private partnerships have been identified as a key mechanism.



NetZeroCities Programme provides experimentation tools and platforms for collaborative governance models to be tested and refined. Public-private partnerships are key in achieving climate neutrality by coordinating decarbonization efforts between local authorities and private sector to co-create, monitor, and evaluate climate actions in real-time.

This collaborative ethos extends to urban innovation. The *New European Bauhaus (NEB)*, led by DG REGIO, places an integrated approach based on partnerships at the heart of rethinking the built environment. It encourages place-based experimentation & co-design. It does so by aligning interests of public and private stakeholders, circulating resources, and addressing citizens' needs as a partnership.



At the funding level, Horizon Europe—EU's main research and innovation programme—places stronger emphasis than ever on PPPs. Many funding calls now require strategies for co-design, co-investment, and co-implementation between public authorities, private sector actors, and other stakeholders. The programme also emphasizes market-ready solutions, turning action research into proofs of concept with strong commercialization potential—ensuring that innovation leads to real, scalable impact. Together, these instruments reflect a systemic shift: collaborative delivery models are becoming the new standard in Europe's climate and urban policies.

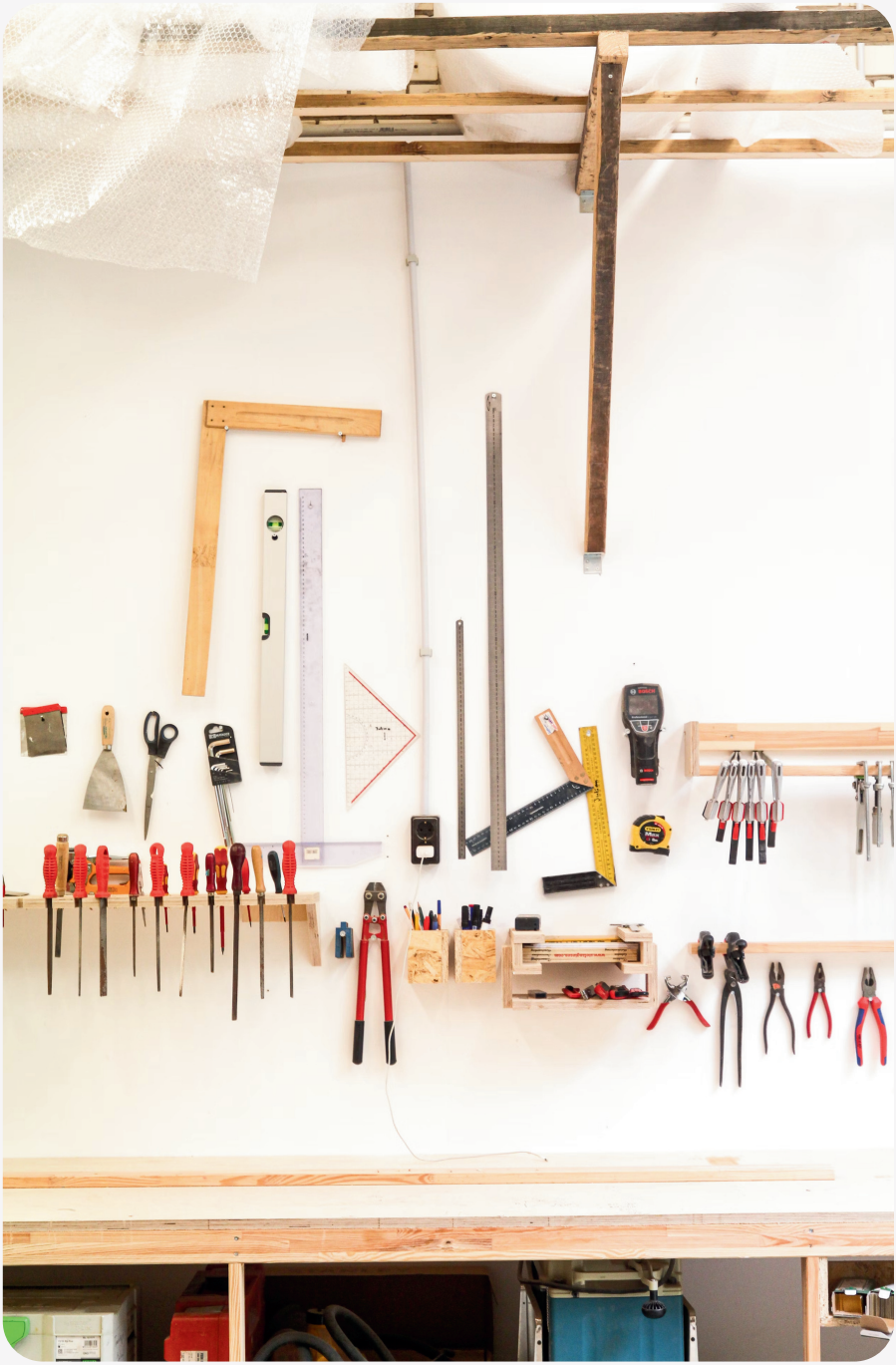


Photo: Julia, Unsplash

From theory to practice:
Why Public-Private Partnerships Matter

Public-private partnerships (PPPs) bring together the strengths of both sectors to deliver greater value to citizens—especially in the context of climate transition. While the public sector provides vision and accountability, the private sector brings innovation, efficiency, and capital. Together, they can tackle complex challenges more effectively than either could alone.

Key benefits of partnerships:

- Unlock additional funding for public infrastructure
- Improve efficiency through private sector expertise
- Accelerate innovation in urban services and sustainability
- Expand access to quality public services
- Support local economic development and job creation

A public-private partnership is like a tandem bicycle: the public sector steers, setting direction and ensuring public interest, while the private sector pedals, adding speed, innovation, and investment.

Together, they move faster and more effectively—especially when the road, like the path to climate neutrality, gets steep.

Who Contributes to and Benefits from Public-Private Partnerships

PPPs work best when each actor brings their strengths — and shares responsibility for the outcome.

PUBLIC SECTOR

Government / Ministries, Local Authorities / City Halls, State Agencies, International Agencies, NGOs

We need innovative solutions and additional funding for urban infrastructure projects, but public resources are insufficient to modernize public services, and bureaucratic processes slow down implementation.

How can we collaborate with the private sector to accelerate city development?

Contributes:

- Strategic vision & long-term planning
- Land, assets, or infrastructure
- Regulatory & policy framework

Gains:

- Financial leverage through private capital
- Faster implementation of complex projects
- Access to private-sector innovation

LOCAL COMMUNITIES

Citizens, informal communities, local action groups

I want a better city with accessible, efficient services. How can I support smarter public-private collaboration?

In essence, PPPs are a mechanism to serve a collective goal - making cities better for citizens by collaborating.

PRIVATE SECTOR

Infrastructure Companies, Real Estate Developers, Service Providers, Investment Funds

Our company has the expertise and resources needed to develop sustainable public infrastructure, but bureaucracy, unstable regulations, and the lack of guarantees for investment recovery prevent us from getting involved in public projects.

How can we collaborate with local authorities to build safe and effective partnerships?

Contributes:

- Capital investment
- Technical know-how and innovation
- Project management and operational capacity

Gains:

- Stable returns on long-term contracts
- Access to new sectors and public markets
- Reputational value and strategic positioning

Contributes:

- Local knowledge and feedback
- Legitimacy and social buy-in
- Co-creation or oversight

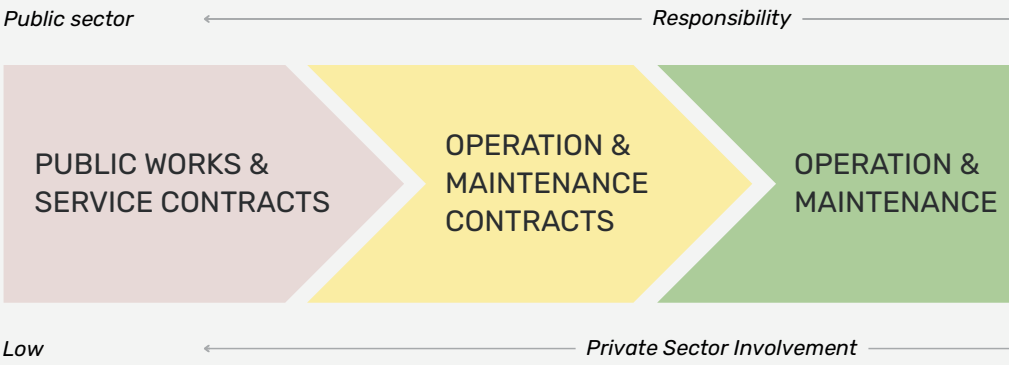
Gains:

- Higher quality, reliable services
- Access to modern infrastructure
- Improved quality of life

Spectrum of Different Types of Public-Private Partnerships

Understanding the level of involvement helps define expectations, roles, and outcomes clearly.

Public-Private Partnerships exist on a spectrum—from minimal to extensive involvement of the private sector. The choice of model depends on project complexity, financing needs, and public control requirements. Each model balances responsibility, risk, and control differently between public and private actors.



Minimal Private Sector Involvement

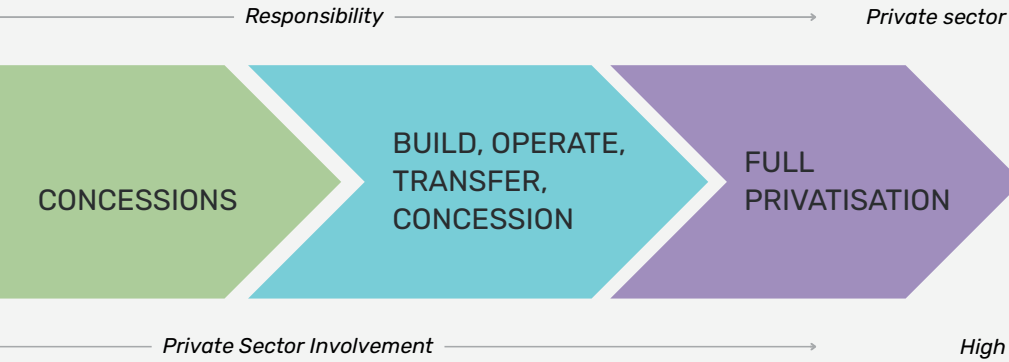
Public Works & Service Contracts
The public authority retains full responsibility for financing and owns the assets. The private partner delivers specific services (e.g., maintenance, cleaning, IT systems) under short-term contracts.

- **Risk**: Mostly on the public side.
- **Example**: Road repairs contracted to a private company.

Moderate Private Sector Involvement

Operation & Maintenance
The private sector manages day-to-day services and maintenance, sometimes collecting user fees.

- **Risk**: Operational and market risks are taken on by the private partner, while financial and political risks remain largely with the public sector.
- **Example**: Improving service delivery (e.g., water utilities or public transport) without relinquishing public control over infrastructure.



Extensive Private Sector Involvement

Build, Operate, Transfer & Full Privatisation
The private partner delivers end-to-end infrastructure projects over decades, ownership and operations can be fully transferred.

- **Risk**: The private sector bears the majority of risks, while authorities retain regulatory oversight.
- **Example**: Large-scale infrastructure (e.g., waste-to-energy plants, transport hubs) when public funding is limited.

Public-Private Partnerships for Managing Risk in Urban Development

Cities can no longer rely exclusively on public resources to meet growing demands—PPPs bridge that gap.

> *Risk is the possibility that a future event will negatively impact a project's objectives—causing delays, cost overruns, or operational failure.*
>
> *— OECD, "Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money" (2012)*

All investment projects carry risks. In traditional models, the public sector bears most of them. In PPPs, risks are identified early and shared strategically. The goal: allocate each risk to the partner best equipped to manage it.

Types of Risk in Urban Development Projects

- **Financial** – interest rates, inflation, access to capital
- **Construction / Delivery** – delays, cost overruns, technical faults
- **Operational / Performance** – service disruptions, efficiency issues
- **Market / Demand** – low usage or revenue unpredictability
- **Environmental & Social** – community opposition, ecological impact
- **Political / Regulatory** – legal changes, policy instability

An effective public-private partnership identifies, assesses, and allocates risks to the partner best equipped to manage them.

Public Sector
Best at managing:

Political and regulatory risk

Social and environmental safeguards

Public accountability and oversight

Private Sector
Best at managing:

Construction and performance risk

Operational efficiency and service delivery

Market and demand-side risks

Key Factors Influencing the Creation of Public-Private Partnerships

Designing a Public-Private Partnership is not one-size-fits-all. The structure of each PPP depends on a mix of financial, technical, and operational factors. These influence the type of partnership chosen, the level of private involvement, and the way risks and responsibilities are allocated.

Investment Duration

The longer the duration, the greater the need for clear performance standards and stable legal frameworks.

Short-term (1-5 years)
Operational projects or services with rapid implementation (e.g., administrative digitalization, management of a public hospital).

Medium-term (5-15 years)
Projects requiring higher upfront investment but delivering long-term benefits (e.g., modernization of public transport infrastructure).

Long-term (15+ years)
Large infrastructure projects with gradual cost recovery (e.g., toll highways, water and sewage networks, energy plants).

Type of Deliverable

PPP structures must reflect whether the focus is on building something new—or operating it well.

Hard Infrastructure
Examples: Roads, bridges, energy grids, schools, hospitals—projects requiring physical construction.

Soft Services
Examples: Public service delivery, facility management, digital systems or maintenance.

Resource Availability

Availability and quality of these resources shape the partnership model and risk-sharing logic.

Technological Expertise

Expertise provided by private partners in innovation and operational efficiency.

Example: A private partner brings in smart mobility solutions or AI-enabled building management.

Existing Public Assets

Land, buildings, and infrastructure available for development.

Example: The municipality provides land, an old building, or unused infrastructure to be redeveloped.

Network and Market Access

The state facilitates the project's integration into the urban ecosystem, while the private sector brings commercial expertise.

Example: The private sector gains access to service users—such as passengers, tenants, or residents—who generate revenues.

Type of Investment

Projects often combine both, requiring flexible PPP structures.

OpEx
Operational Expenditures

Costs for running existing infrastructure or services.

Example: Paying a private company to operate a public bus fleet or manage IT systems in schools.

CapEx
Capital Expenditures

Upfront costs for designing and building infrastructure.

Example: Financing the construction of a new tram line or green energy facility.

Photo: Ignacio Ceballos, Unsplash

PUBLIC SERVICES & OPERATIONS

Improving essential services without privatization.

Private companies help manage public services—such as transport, water, and waste management—without owning them, while the state retains ownership.

LARGE INVESTMENT PROJECTS

Designing and financing major urban projects.

Private companies invest in public infrastructure by financing or constructing roads, hospitals, or utilities. They manage the assets temporarily and then transfer them to the public sector for ownership or administration.

SMART FINANCING & INCENTIVES

Using incentives, taxes, and partnerships to finance projects.

The state attracts private investment through tax reductions, subsidies, or user-generated revenues. These PPPs help fund infrastructure without direct public spending, relying on external financial instruments.

SOCIAL IMPACT & PUBLIC INNOVATION

Collaboration between companies and the public sector for the good of the community.

Private firms and public agencies work together to improve cities and social services. These PPPs focus on social projects, sustainability, and innovation to enhance urban life.

PUBLIC SERVICES & OPERATIONS

Mechanisms:

- *Service Contract*
- *Management Contract*
- *Concession*

SERVICE CONTRACT

Scope

A short- to medium-term agreement in which the private sector provides specific public services on behalf of a public authority. These are typically non-core, operational services (e.g., waste collection, street cleaning, public lighting, or IT support). The public sector retains asset ownership and strategic control over service planning.

Characteristics

RISKS

Low to Moderate
Public sector: Financial, regulatory
Private sector: Operational performance, staffing, compliance with service-level agreements

INVESTMENT LEVEL

Low to moderate
The private party invests in equipment, staff, and service delivery systems

DURATION

Typically 2 to 8 years (can be renewed or re-tendered)

Resources

PUBLIC SECTOR

- Owns infrastructure
- Defines service specifications and monitors performance
- Provides funding, usually through fixed payments

PRIVATE SECTOR

- Provides equipment, labour
- Manages operations and reporting
- Brings technical know-how and innovation in service delivery

Deliverables

OPERATIONAL SERVICE OUTPUTS

Improving daily services such as waste collection, street cleaning, IT maintenance, public lighting

SERVICE QUALITY MONITORING

Monitoring routine performance with data and dashboards, while managing reported issues

STANDARDS COMPLIANCE

Ensuring safety, environmental and accessibility standards

Benefits

- Encourages **cost-effective service delivery** by leveraging private sector specialisation
- Contracts can be **designed and awarded quickly**, ideal for urgent or routine services
- **Fixed-fee contracts** simplify planning and reduce exposure to cost overruns
- Contractors may introduce **new digital platforms** (e.g., real-time reporting apps or route optimisation in waste collection)

Challenges

- **Weak public oversight** can lead to under-performance risks related to low-quality services
- Private providers may **hesitate to invest in better systems** if the contract duration doesn't guarantee ROI
- Using multiple contractors across services or zones can create **inconsistencies and coordination issues**
- Awarding contracts solely on price can lead to **inadequate staffing or quality issues**

Source: Noticiasambientale.com

Barcelona Waste Management

Context

Barcelona, like many large cities, faces the ongoing challenge of maintaining cleanliness and managing waste in a dense, touristic, and fast-growing urban environment. Ensuring high standards of public hygiene, reducing environmental impacts, and meeting EU sustainability goals have pushed the city to seek innovative governance models. PPPs emerged as a pragmatic solution — aiming to improve service quality while retaining public control over strategy and regulation.

How it works

The city contracts private companies through fixed-fee service agreements that include performance-based incentives. Firms are paid a set amount but can receive bonuses or penalties based on specific indicators:

- Cleanliness levels in public areas (measured via inspections)
- Timeliness and frequency of waste collection
- Volume of waste sorted for recycling
- Use of low-emission or electric service vehicles

The municipality retains full control over strategic planning, infrastructure, and contract monitoring, while private firms are responsible for day-to-day operations.

Impact

- Improved cleanliness scores in most districts, based on regular municipal audits
- Increased recycling rates, particularly in areas with door-to-door collection
- Reduction in service costs per ton collected, due to operational efficiencies
- Modernized fleet: over 90% of vehicles now meet Euro VI or electric standards
- Faster response times for street cleaning complaints and service disruptions

MANAGEMENT CONTRACT

Scope

A private company taking over the daily management and operation of a public service or asset, such as water utilities, hospitals, or public transport systems. Ownership of the infrastructure remains fully public, and the private partner does not finance capital investments, focusing instead on service delivery and performance.

Characteristics

RISKS

Low to Moderate
Public sector: Strategic, financial, and reputational
Private sector: Operational performance, efficiency, compliance with standards

INVESTMENT LEVEL

Low to moderate
The private party does not finance infrastructure but may incur minor operational costs (e.g. IT systems, training, maintenance tools).

DURATION

Typically 5 to 10 years (can be extended or restructured)

Resources

PUBLIC SECTOR

- Owns infrastructure
- Defines KPIs and strategic goals
- Monitors contractor performance and regulates service levels

PRIVATE SECTOR

- Provides equipment, labour
- Manages day-to-day operations & staff
- Implements procedures and service improvements
- May provide minor system upgrades or efficiency tools

Deliverables

SERVICE MANAGEMENT AND PROVISION

Daily operation of public services (e.g., HR, logistics, maintenance, scheduling)

PERFORMANCE OPTIMISATION

Meeting key performance indicators (e.g., response time, service continuity, cost savings)

COMPLIANCE AND REPORTING

Ensuring environmental, safety, and legal compliance; regular reports to public authority

Benefits

- Brings **private sector efficiency** to public operations by leveraging managerial know-how
- Allows the public sector to retain **strategic control and ownership**
- **Lower implementation risk** compared to full concessions and easier to set-up
- **Short- to mid-term flexibility**, enabling easy renegotiation or termination

Challenges

- Without ownership or **long-term stake**, contractors may focus on compliance rather than improvement
- **Poorly defined KPIs** or unclear responsibilities can cause disputes
- Requires strong institutional capacity to enforce performance standards
- Focus may be on meeting contract terms rather than long-term public value or resilience

Source: Tallinn.ee

Water Services in Tallinn

Context

In 2001, the City of Tallinn launched a public-private partnership to address poor water quality, aging infrastructure, and high leakage rates. The move came as Estonia was preparing to join the EU, which required compliance with strict water and environmental standards. Lacking sufficient public funds, the city opted to bring in private expertise and investment while keeping the infrastructure under public ownership.

How it works

The city signed a management contract with Tallinna Vesi, a private company formed through the partial privatization of the municipal utility. The company took over the operation and maintenance of the water and wastewater systems.

The municipality:

- Retained ownership of infrastructure
- Regulated tariffs & service standards
- Monitored compliance and environmental targets

The private operator handled:

- Daily operations and maintenance
- Provided leakage reduction and infrastructure upgrades
- EU-aligned wastewater treatment improvements

Impact

- Water loss reduced from over 30% to under 15%
- Drinking water met EU quality standards
- Fewer service outages and faster repairs
- Cleaner wastewater discharge into lakes and the Baltic Sea
- High customer satisfaction, tracked through annual surveys

CONCESSION

Scope

A private entity is granted the right to operate and maintain an existing public asset or service — such as transport systems, bridges, or utility networks — for a fixed period, during which it typically collects revenues (e.g., tolls, user fees). Ownership usually remains public or reverts to the public at the end of the concession term.

Characteristics

RISKS

Moderate to High
Public sector: Political, reputational, regulatory
Private sector: Construction risk, demand risk, operational performance, financial risk

INVESTMENT LEVEL

High
The private party typically covers major capital costs, including design, and initial system rollout, often via project finance.

DURATION

Typically over 20 years

Resources

PUBLIC SECTOR

- Grants rights to use public assets
- May co-finance part of the investment
- Regulates service quality and tariffs
- Oversees compliance and contract terms

PRIVATE SECTOR

- Finances and operates infrastructure
- Manages commercial risk (e.g. user uptake, revenue collection)
- Responsible for maintenance and upgrades
- May share revenue with the public authority

Deliverables

INFRASTRUCTURE DEVELOPMENT

Construction or rehabilitation of large-scale public assets (e.g. metro lines, bridges, water plants)

SERVICE DELIVERY

Operations and maintenance of the asset, usually for 20+ years

USER MANAGEMENT & REVENUE COLLECTION

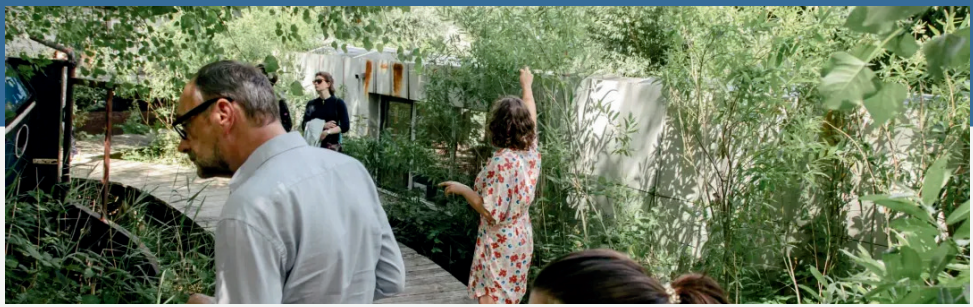
Setting up systems for ticketing, tolls, or service fees (under public oversight)

Benefits

- Helps cities deliver high-cost projects without upfront public spending
- Enhances **efficiency** in construction, service delivery, and customer service
- Aligns **service performance with revenue incentives** as contractors are motivated to maximise usage and quality
- Long contracts **support** durable materials, **innovation**, and lifecycle cost savings

Challenges

- Concessions require time, expertise and clear risk allocation to avoid disputes
- Inaccurate projections can lead to **financial losses** or renegotiations
- They imply **reduced public control** over pricing and service evolution as tariffs and operating standards may be locked in for decades
- Long-term contracts **limit flexibility** to respond to future needs or policy changes



Source: www.spaceandmatter.nl

De Ceuvel Amsterdam

Context

In the early 2010s, the City of Amsterdam was seeking temporary and low-impact ways to reactivate underused urban sites, particularly former industrial areas. Buiksloterham district, a heavily polluted waterfront location, offered an opportunity to test circular development and ecological innovation. Rather than initiating a full public redevelopment, the municipality issued a temporary land concession to a collective of private architects, designers, and sustainability entrepreneurs.

How it works

De Ceuvel was established on the basis of a 10-year land concession:

- The site remained publicly owned, but exclusive use rights were given to a private collective through a competitive tender
- The private group was responsible for planning, financing, and managing the site's transformation
- Instead of permanent construction, repurposed houseboats were placed on land and retrofitted into workspaces, with all structures designed to be movable
- The site integrated clean-tech infrastructure, including composting toilets, solar energy, greywater filtration, and soil remediation using phytoremediation plants

Impact

- Revitalized a contaminated site with minimal environmental footprint
- Became an international model for circular urbanism and temporary use
- Attracted creative industries and environmental innovators to a previously disused area
- Provided real-world testing ground for off-grid and low-tech ecological systems
- Reinforced Amsterdam's reputation as a hub for participatory and experimental urban development

LARGE INVESTMENT PROJECTS

Mechanisms:

- *Build-Operate-Transfer (BOT)*
- *Build-Own-Operate (BOO)*
- *Build-Own-Operate-Transfer (BOOT)*
- *Build-Transfer-Operate (BTO)*
- *Build-Own-Lease-Transfer (BOLT)*
- *Public Asset Monetisation*

BUILD-OPERATE-TRANSFER (BOT)

Scope

A public entity is giving permission to public land to a private entity to finance, design, construct, and operate a public or private infrastructure project for a defined concession period. During this time, the private operator is allowed to recoup its investment, through user fees or public payments. At the end, the asset is transferred back to the public sector.

Characteristics

RISKS

High
Public sector: Regulatory, political
Private sector: Cost overruns, demand risk, revenue fluctuation, long-term maintenance obligations

INVESTMENT LEVEL

Very high
The private sector assumes full responsibility for upfront capital investment, often involving complex project finance and long payback periods.

DURATION

Typically 20 to 30 years

Resources

PUBLIC SECTOR

- Grants access to land or rights-of-way
- Provides guarantees / gap funding
- Oversees compliance and regulatory approvals
- Takes back ownership after transfer

PRIVATE SECTOR

- Secures project financing
- Designs and builds the asset
- Operates and maintains it during the concession period
- May be responsible for rehabilitation before transfer

Deliverables

FULL INFRASTRUCTURE DELIVERY

Full construction of complex public infrastructure (e.g. wastewater treatment plants, transport hubs)

LONG-TERM OPERATIONS

Ongoing service management, maintenance, and customer support

ASSET TRANSFER

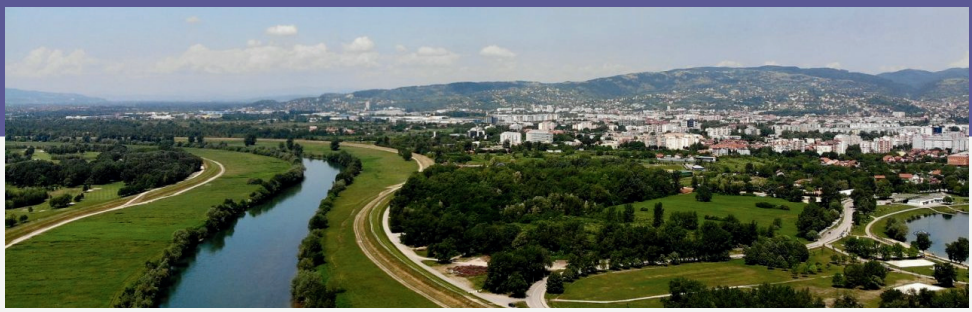
Handover of the asset in predefined functional condition at contract end

Benefits

- Reduces immediate fiscal pressure on public budgets, without upfront financing
- Private sector takes on major project risks and construction, cost and operating risks are shifted away from the public
- Delivers infrastructure and service in one contract, integrating delivery and operation
- Encourages innovation in design, operations, and financing, contractors optimising for cost-effectiveness

Challenges

- Requires advanced financial, technical, and legal capacity from the public side
- Long-term risk of demand shortfalls, as lower usage may not cover operating costs
- Poor preparation can lead to disputes or degraded assets being returned and transfer phase must be clearly defined
- Difficult to renegotiate once the contract is active and changing service needs or policy priorities may be hard to integrate



Source: EPA-EFE/Antonio Bat

Zagreb Wastewater Treatment Plant

Context

In the late 1990s, the City of Zagreb faced growing environmental pressures and EU compliance requirements for wastewater treatment. The city lacked the funds and technical capacity to build a large-scale facility on its own. To close this gap, local authorities initiated a Build-Operate-Transfer (BOT) project, inviting private investment and expertise while keeping long-term control in public hands.

How it works

The project was awarded to a private consortium under a 28-year BOT contract.

The consortium took full responsibility for:

- Designing, financing, and constructing the wastewater treatment plant
- Operating and maintaining the facility during the concession period
- Transferring ownership back to the municipality at the end of the contract

The city agreed to pay the operator a service fee, indexed to performance and volume of treated wastewater. Regulatory oversight and environmental compliance remained under public control throughout.

Impact

- Full compliance with EU wastewater standards, significantly reducing pollution in the Sava River
- Private financing covered 100% of upfront investment, minimizing strain on public budgets
- Timely project delivery and reliable long-term operation by the private operator
- Technology upgrades and maintenance handled without public sector delays
- Guaranteed public ownership of the asset after the 28-year term

BUILD-OWN-OPERATE (BOO)

Scope

A private company finances, designs, builds, owns, and operates a public-use facility or service. There is no asset transfer back to the public sector, as the private partner retains ownership indefinitely. BOO is commonly used in sectors like energy production, water treatment, or ICT infrastructure, where long-term commercial viability is ensured.

Characteristics

RISKS

High
Public sector: Regulatory, service continuity, political risk
Private sector: Full construction, operational, financial, and long-term market risk

INVESTMENT LEVEL

Very high
The private partner bears 100% of the capital investment and must ensure long-term profitability through user payments or service contracts.

DURATION

Typically over 20 years

Resources

PUBLIC SECTOR

- Regulatory oversight and permitting
- May offer initial demand guarantees or off-take agreements (e.g. purchasing electricity)
- May define service standards or environmental conditions

PRIVATE SECTOR

- Finances, designs, builds, owns facility
- Operates and maintains services
  Secures user base or long-term clients (e.g., via contracts with public authorities)

Deliverables

ASSET DEVELOPMENT

Construction and commissioning of public-use infrastructure (e.g., power plants, digital infrastructure, desalination plants)

SERVICE PROVISION

Long-term delivery of services with full operational responsibility and full ownership

REGULATORY MONITORING

Compliance with environmental, safety, and service-level frameworks

Benefits

- No public capital expenditure required and the entire investment risk and financial burden lie with the private partner
- Efficient long-term service delivery as ownership incentivises the private operator to ensure asset quality and performance
- **Enables technically complex projects**
- Stable service for users via long-term commercial models, paired with off-take agreements (e.g., public utility buying output)

Challenges

- **Weak public oversight** can generate underperformance risks related to low-quality services
- Private providers may **hesitate to invest in better systems** if the contract duration doesn't guarantee ROI
- Using multiple contractors across services or zones can create **inconsistencies and coordination issues**
- Awarding contracts solely on price can lead to **inadequate staffing or quality issues**

Source: Image © Henning Larsen – Wood City Stockholm

Stockholm's Wood City, Sweden

Context

Facing the dual challenge of housing demand and climate targets, Stockholm sought to promote large-scale, sustainable urban development using innovative construction methods. The Swedish private developer Atrium Ljungberg initiated and fully financed Stockholm Wood City — a project designed to showcase climate-smart urbanism and green building leadership. This is one of the world's largest construction projects made entirely from wood, responding to growing interest in carbon-neutral materials and circular development models.

How it works

Under a Build-Own-Operate (BOO) model, Atrium Ljungberg is:

- Designing and building the entire district using timber construction
- Financing the project without public investment
- Owning and operating the residential and commercial spaces indefinitely

The project includes 2,000 homes, offices, and services, with the developer retaining long-term ownership and control over the site's evolution. The city supports the project through planning approvals and policy alignment but does not provide direct funding or own the infrastructure.

Impact

- One of the largest timber urban developments globally, setting a benchmark for climate-neutral building
- No public funds required, reducing fiscal impact on the municipality
- Long-term private ownership ensures continued maintenance and investment
- Carbon footprint reduction of up to 40% compared to concrete-based projects
- Mixed-use design supports housing, employment, and community services in a compact footprint

BUILD-OWN-OPERATE-TRANSFER (BOOT)

Scope

A private entity finances, designs, builds, owns, and operates an infrastructure asset for a specified period. During the concession, the private partner generates revenue through user fees. At the end of the term, ownership of the asset is transferred to the public authority, often in a predefined condition.

Characteristics

RISKS

High
Public sector: Policy, regulatory
Private sector: Construction risk, revenue/demand risk, long-term maintenance, transfer risk

INVESTMENT LEVEL

Very high
The private partner assumes full responsibility for financing and constructing the infrastructure and must also cover operating costs until transfer.

DURATION

Typically over 25 years

Resources

PUBLIC SECTOR

- Grants land access, permits, or exclusive rights
- May support revenue via tariffs
- Regulates performance and oversees asset transfer
- Receives the asset at the end of the concession period

PRIVATE SECTOR

- Finances, designs, builds, owns, and operates the infrastructure
- Collects revenue from users
- Maintains service delivery
- Manages long-term technical, operational, and financial risks

Deliverables

ASSET DEVELOPMENT AND OPERATION

Construction of infrastructure projects (e.g., airports, roads) and service operation

REVENUE SYSTEMS

User fee collection, availability-based payments, or public service contracts

TRANSFER TO PUBLIC SECTOR

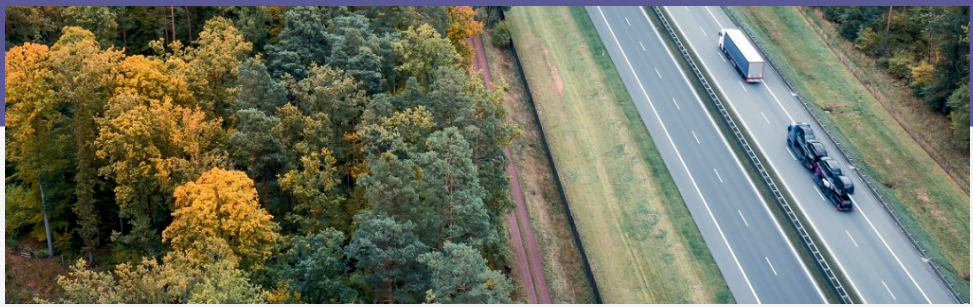
Handover of the asset in agreed functional condition (with possible rehabilitation obligations)

Benefits

- Mobilises private capital and expertise and enables large-scale infrastructure delivery without public investment
- Ownership motivates high construction standards and operational efficiency
- Transfer ensures public ownership in the long term and addresses concerns about permanent privatisation of critical assets
- Aligned incentives for quality and sustainability

Challenges

- Requires complex long-term contracts, thus risk allocation, ownership rights and transfer obligations must be clearly defined
- Disputes may arise over condition, upgrades, or residual asset value
- Limited flexibility mid-contract and adaptability to new policy or technology shifts can be constrained
- Financial instability can exist due to demand uncertainty



Source: Meridiam.com

A2 Motorway, Poland

Context

Poland's A2 motorway, connecting Warsaw to the German border, was developed to enhance the country's transportation infrastructure and integrate it with the broader European network. Given the significant financial requirements and the need for efficient project execution, the Polish government adopted a BOOT (Build-Own-Operate-Transfer) model, engaging private sector participation to design, finance, construct, and operate the motorway for a specified concession period.

How it works

Build: The private consortium was responsible for the design and construction of the motorway segment.
Own: During the concession period, the consortium retained ownership of the infrastructure, allowing it to manage and make decisions regarding the asset.
Operate: The consortium operated the motorway, maintaining the infrastructure and collecting toll revenues to recoup investments and earn profits.
Transfer: At the end of the concession period, ownership and operational responsibilities were to be transferred back to the Polish government, typically in a predefined condition ensuring the motorway's continued functionality.

Impact

- The model facilitated the timely construction of a critical transportation link, improving connectivity and economic integration with Western Europe
- By involving private entities, the project attracted significant investment without immediate strain on public finances
- Private operation introduced efficiency in maintenance and toll collection, potentially leading to better service quality for users
- Risks related to construction, operation, and revenue generation were largely borne by the private consortium, aligning incentives for performance.

BUILD-TRANSFER-OPERATE (BTO)

Scope

A private company finances, designs, and constructs a public infrastructure asset, and immediately transfers ownership to the public authority upon completion. However, the private partner retains the right to operate and maintain the asset for a fixed period under a separate agreement, allowing it to recover its investment and generate profits.

Characteristics

RISKS

Moderate to High
Public sector: Regulatory, public service continuity
Private sector: Construction risk, cost overrun, operational /performance risk, limited control over asset post-transfer

INVESTMENT LEVEL

High
The private partner fully finances the design and construction phase and recovers costs over time through service operation

DURATION

Typically over 20 years

Resources

PUBLIC SECTOR

- Receives ownership of asset at the end
- Provides operational oversight and regulates service delivery
- May co-finance or provide viability gap funding
- Grants operational rights for a fixed period

PRIVATE SECTOR

- Designs, finances, builds infrastructure
- Transfers ownership at commissioning
- Operates and maintains the facility under a long-term contract
- May earn revenue through tariffs or availability-based payments

Deliverables

INFRASTRUCTURE BUILD AND MAINTENANCE

Development of infrastructure and regular maintenance, ensuring compliance with standards

TRANSFER OF OWNERSHIP

Asset is handed over to the public sector immediately after construction

OPERATIONAL SERVICE MANAGEMENT

Long-term provision of services related to asset (e.g., facility management, services operations)

Benefits

- The asset becomes public property, increasing control and political acceptability
- Private capital and construction risk are absorbed by the operator
- Incentivises quality construction, as the same firm operates the facility over time
- Transparent separation between asset ownership and service operation helps clarify accountability and allows regulatory oversight from the start

Challenges

- The transition from transfer to operation must be carefully managed contractually
- Public owns the asset but depends on the private partner for functionality
- If actual use is lower than forecast, cost recovery may be difficult for the private partner
- Regulatory rigidity may hinder service upgrades as once ownership transfers, asset changes must go through public approvals

Source: www.morelondon.com

More London Riverside

Context

In the late 1990s, the site now known as More London was a disused industrial plot on the Thames' South Bank. To revitalise the area, the Greater London Authority partnered with private developers including London & Regional Properties and St Martins Property Group. The aim was to create a new business and civic district with public access, funded and built by the private sector as part of a broader regeneration strategy.

How it works

The developer privately financed and built the entire site — offices, walkways, green spaces, and public amenities — transforming former industrial land.
While the land ownership remains private, public use of the spaces was mandated by the planning agreement and transferred functionally to serve as a civic zone. The space looks and functions like public land, but legal access rights are defined by the landowner. St Martins Property manages security, events, maintenance, and public behaviour under privately determined regulations.

Impact

- Regeneration of 13 acres of underused land in central London into a high-density, multifunctional district
- Creation of 6,000+ jobs in office, retail, and service sectors — including headquarters for PwC and other global firms
- 10,000+ m² of open space, accessible 24/7, including The Scoop (an outdoor amphitheatre), promenades, and green terraces
- Attracts millions of visitors per year, improving foot traffic to the South Bank
- Became a precedent in UK urban development debates on POPS (Privately Owned Public Space) — highlighting the tension between public accessibility and private governance

BUILD-OWN-LEASE-TRANSFER (BOLT)

Scope

The private sector finances, designs, and constructs a public facility, then leases it to the public authority for a fixed period. During this time, the public sector pays regular lease fees, while the private entity retains ownership. At the end of the lease, the asset is transferred to the public authority, often at no additional cost.

Characteristics

RISKS

Moderate
Public sector: Fiscal commitment to lease payments; reputational risk if the asset underperforms
Private sector: Construction, performance, and residual asset value risk

INVESTMENT LEVEL

High
The private partner covers all upfront costs and remains temporary owner during the lease phase

DURATION

Typically between 10 to 30 years

Resources

PUBLIC SECTOR

- Commits to paying lease or service fees
- May co-finance specific components or upgrades
- Defines service levels and performance expectations
- Gains full ownership at the end of the lease

PRIVATE SECTOR

- Designs, finances, builds, owns facility
- Leases it under agreed terms
- Maintains the asset as needed during the lease period
- Transfers ownership at the end of the contract term

Deliverables

ASSET CONSTRUCTION

Design and build of public-use facilities (e.g., schools, admin buildings, affordable housing)

LEASE AGREEMENT IMPLEMENTATION

Provision of access and functionality to the public entity, typically with a facilities management package

TRANSFER OF OWNERSHIP

Full public ownership at the end of the lease term, typically without a purchase price

Benefits

- Useful for municipalities facing budget constraints or debt limits
- Structured cost management for the public sector
- Contractually ensured maintenance improves asset quality at handover
- Revenue is tied to continued asset availability and quality

Challenges

- Long-term lease commitment impacts fiscal flexibility
- Poorly structured lease terms may lead to hidden costs or excessive payments
- Requires detailed contract clarity to avoid gaps in asset upkeep
- Political resistance to delayed public ownership

Source: b365.ro, Hotnews

Public Hospitals with Private Money

Context

Romania's public hospitals face chronic underfunding, outdated infrastructure, and long renovation delays. In response, the Metropolis Foundation launched the "Spitale Publice din Bani Privați" initiative—an innovative model of civic-private collaboration. The goal: renovate and equip public medical facilities using donations from individuals, private companies, and NGO partners, while maintaining the public ownership and function of hospitals.

How it works

This mechanism functions similarly to a BOLT-type partnership—but with strong civic engagement:

- The private side (foundation + donors): funds, designs, and oversees the renovation or construction of medical infrastructure (e.g., entire hospital wings, labs, maternity wards).
- The public side: identifies needs, facilitates institutional access, and assumes long-term operation of the upgraded facility.
- Ownership remains public, while donors receive visibility and impact reporting.

Impact

- Over 25 hospitals across Romania renovated (2020–2023).
- More than 3.5 million euros invested in pediatric, emergency, and infectious disease wards.
- 1124 modern hospital beds and critical medical equipment delivered.
- Created a national model for civic-driven infrastructure renewal—one that is replicable, transparent, and community-owned.

PUBLIC ASSET MONETISATION

Scope

Strategies where public authorities lease, sell, or grant usage rights of existing public assets (e.g., buildings, land, transport hubs) to private entities, while retaining a degree of control or service obligation. The goal is to unlock value from underutilised or mature public assets and reinvest proceeds into new infrastructure or services, without necessarily losing long-term ownership or public benefit.

Characteristics

RISKS

Moderate
Public sector: Political, loss of long-term control
Private sector: Commercial viability, asset performance, regulatory changes

INVESTMENT LEVEL

Low to high
Depends on whether the agreement involves asset rehabilitation, development, or merely operation and maintenance

DURATION

Typically between 10 to 30 years

Resources

PUBLIC SECTOR

- Provides existing assets (e.g., land, buildings, energy infrastructure)
- May impose public service obligations or usage conditions
- Uses proceeds for public reinvestment
- Retains ownership (in lease models) or strategic oversight

PRIVATE SECTOR

- Pays lease fees, licensing fees, or upfront capital for access
- May invest in modernisation, repurposing, or maintenance
- Exploits commercial potential (e.g., rental income, energy production)

Deliverables

ASSET USAGE

Active use of dormant or underused public real estate, facilities, or infrastructure

REVENUE FLOWS TO PUBLIC AUTHORITY

Direct revenue through leases, royalties, or one-time sales and continued provision of services

MODERNISATION AND UPGRADES

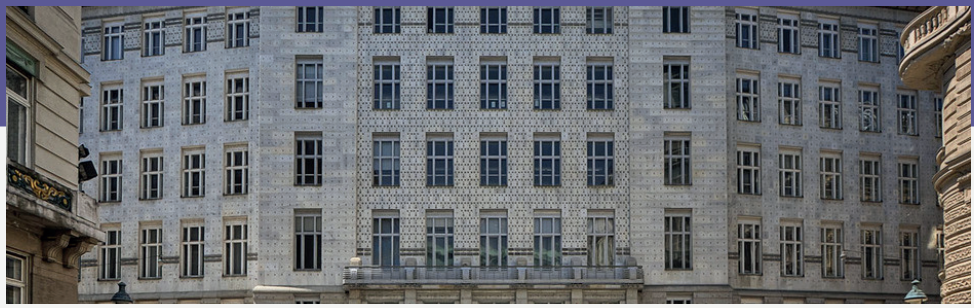
Refurbishment, efficiency gains, or energy retrofits of existing public assets

Benefits

- Unlocks hidden value from public assets and generates revenue without raising taxes
- Enables reinvestment into priority sectors as funds can be redirected to education, mobility, urban development etc.
- Attracts private expertise in asset management and improves performance
- Retains public interest if structured correctly, preserving public access / control

Challenges

- Without proper valuation, public assets may be leased/sold too cheaply
- Strong communication and transparency are needed to maintain legitimacy
- Requires capacity to monitor service levels, usage terms, and compliance
- Market shifts can reduce the expected financial return or usage of monetised assets



Source: Europe-re.com

Vienna Public Buildings Sale-Leaseback

Context

In the early 2000s, the City of Vienna faced the dual challenge of maintaining public service infrastructure while balancing fiscal discipline under EU public debt constraints. To raise capital without reducing service delivery, the city adopted a public asset monetization strategy, involving sale-leaseback agreements for municipal buildings, including administrative offices and social service facilities.
The approach allowed the city to unlock the value of existing assets while continuing to use them under lease agreements — a form of investment-based PPP.

How it works

The city sold public buildings (primarily underused or older facilities) to private institutional investors, such as pension funds or real estate companies
Simultaneously, it leased them back under long-term contracts, ensuring continued use for public services
Lease contracts included maintenance and operational obligations, either retained by the city or transferred to the private owner, depending on the structure
The capital raised was used for new public infrastructure projects, reducing reliance on public borrowing

Impact

- Hundreds of millions of euros raised for reinvestment in social infrastructure and housing
- Optimized use of public real estate portfolio, with non-core assets offloaded strategically
- Cost savings through outsourced facility management and modernized operations
- No disruption to public services, as facilities operated under city oversight
- Transparent contracts provided accountability & investor confidence

SMART FINANCING & INCENTIVES

Mechanisms:

- *Subsidies & Grants*
- *Lease-Develop-Operate (LDO)*
- *Tax incentives*
- *Revenue-Sharing Models*
- *Land value capture*
- *Performance-based contracts*

SUBSIDIES & GRANTS

Scope

Involve direct financial support from the public sector to private companies, non-profits, or citizens to incentivize activities aligned with public objectives. The private sector does not take on direct asset construction or ownership obligations; instead, it receives funding to enable specific outputs or behaviours.

Characteristics

RISKS

Low to moderate
Public sector: Risk of ineffective allocation, fraud, lack of measurable outcomes
Private sector: Risk of over-reliance on subsidies, regulatory compliance obligations

INVESTMENT LEVEL

Variable
Depends on the size of the subsidy program and eligibility criteria

DURATION

Typically between 1 to 5 years.

Resources

PUBLIC SECTOR

- Provides financial incentives (cash grants, tax credits, low-interest loans)
- Defines eligibility criteria, application processes, and reporting requirements
- Monitors and audits funded projects for compliance

PRIVATE SECTOR

- Delivers targeted projects or activities (e.g., green energy installations, sustainable building retrofits)
- Co-invests alongside public funding where required
- Provides reporting and evaluation data

Deliverables

PROJECT DELIVERY

Execution of projects that meet defined sustainability, innovation, or public service objectives

SOCIAL OUTCOMES / ENVIRONMENTAL

Measurable public benefits tied to subsidy conditions (e.g., reduced emissions, energy savings)

COMPLIANCE REPORTING AND ASSESSEMENT

Submission of technical and financial progress reports and evaluation of broader impacts

Benefits

- Reduces financial barriers to entry for innovative or risky projects
- Targets specific policy goals efficiently and are customisable for green energy, digital transition, social housing, etc.
- Can quickly stimulate targeted economic sectors or behaviours
- Many grant schemes require private co-investment, multiplying the impact of public funds

Challenges

- Difficult to ensure outcome-based accountability as subsidies can fund projects with limited public value
- Over-subsidisation may discourage private initiative or create artificial business models
- Managing applications, disbursements, and audits can require public sector resources
- Smaller or less-connected applicants may find it harder to access grants compared to large firms

Source: KredEx

KredEx Estonia

Context

Following Estonia's EU accession and the growing need to modernize its Soviet-era housing stock, the government established KredEx in 2001 — a state-owned credit and guarantee institution. Its mission was to support energy efficiency and sustainability in the residential sector by encouraging private investment through a blend of public subsidies and accessible financing. This mechanism addressed a common challenge in Central and Eastern Europe: outdated multi-family buildings with high energy use and limited access to renovation capital.

How it works

KredEx provides favourable loans and targeted grants to housing associations undertaking energy-efficient renovations of apartment buildings.

- Grants cover 15–35% of renovation costs, depending on the level of energy performance achieved
- Remaining costs are eligible for long-term, low-interest loans via partner banks
- Projects must meet specific technical criteria, including insulation, heating upgrades, and ventilation systems
- Energy audits and post-renovation verification ensure performance compliance

KredEx acts as a public financial facilitator, but implementation is led by private construction companies and homeowner associations.

Impact

- Over 1,000 apartment buildings renovated, improving living conditions for tens of thousands of residents
- Significant energy savings, often exceeding 40% per building
- Boosted construction sector through predictable renovation pipelines
- Scalable model replicated in other Baltic and Eastern European countries
- Contributed to Estonia's national energy and climate targets, with EU support

LEASE-DEVELOP-OPERATE (LDO)

Scope

The public sector leases an existing asset (e.g., a port, airport terminal, heritage building) to a private entity, which then invests in upgrading, modernising, or expanding the asset and operates it commercially for a fixed period. Ownership remains public, but operational control and financial returns during the lease term are granted to the private partner.

Characteristics

RISKS

Moderate to high
Public sector: Reputational risk, risk of inadequate performance monitoring
Private sector: Development risk, operational risk, market demand risk, revenue generation risk

INVESTMENT LEVEL

Moderate to high
The private entity must finance rehabilitation, upgrading, or expansion of the leased asset in addition to handling operational costs

DURATION

Typically between over 20 years

Resources

PUBLIC SECTOR

- Provides the existing asset under a lease agreement
- May facilitate regulatory approvals and set maintenance standards
- Retains asset ownership after lease expiration

PRIVATE SECTOR

- Finances and executes the development or rehabilitation of the asset
- Operates / maintains asset during lease
- Collects revenue (user fees, service charges, concessions) during the lease
- Ensures asset upkeep

Deliverables

UPGRADE AND MANAGEMENT

Renovation, modernisation, or expansion of public asset, full management of facility / service

REVENUE GENERATION

Commercial exploitation through user charges, service fees, or leasing commercial spaces

PERFORMANCE COMPLIANCE

Maintaining asset quality and complying with service standards

Benefits

- Mobilises private investment for asset modernisation and public authorities can upgrade infrastructure without debt
- Retains public ownership as after the lease, the improved asset reverts fully to public hands
- Enhances operational efficiency as private partners bring commercial management practices to public services
- Generates steady public revenue via lease payments, profit-sharing, or tax contributions

Challenges

- Poorly defined upgrade obligations can lead to disputes or underinvestment
- Balancing commercial and public interests is hard as private operation prioritises profit over accessibility or affordability
- Requires strong capacity to oversee development / operational standards
- If market conditions worsen, private partners may seek to renegotiate terms, impacting public revenue

Source: www.smedvig.com

Site 4016 Stavanger

Context

To accelerate sustainable innovation in the construction sector and regenerate a former industrial area, the City of Stavanger partnered with a cluster of private firms to launch Site 4016 — a collaborative hub for circular economy experimentation. The site was made available by the municipality through a form of land leasing, allowing private actors to invest in and operate the space while aligning with public sustainability goals. This initiative supports Stavanger's broader efforts under the New European Bauhaus and climate neutrality programs.

How it works

- The municipality provides access to public land (formerly industrial), leased for temporary or mid-term use
- A consortium of private and academic partners (construction firms, circular economy experts) invests in managing the site as a real-world testing ground
- The site functions as a living lab for sustainable construction practices, including material reuse, low-carbon building systems, and collaborative prototyping
- The private operators run and maintain the facility, hosting demonstrations, workshops, and knowledge exchange events

Impact

- Accelerated adoption of circular construction techniques, reducing material waste and CO_2 emissions
- Strong collaboration between public, private, and academic partners, generating replicable practices
- Revitalization of underused urban land into a productive innovation site
- Capacity-building across the sector, as companies test solutions and prepare for future green regulations
- Supports Stavanger's role as a climate innovation leader in Europe

TAX INCENTIVES

Scope

Financial tools where public authorities reduce or defer tax obligations to stimulate private sector investment in activities that meet public policy goals. Instead of direct funding (as with subsidies or grants), tax benefits act as an indirect financial incentive to encourage desired private behaviours and investments.

Characteristics

RISKS

Low to moderate
Public sector: Risk of reduced tax revenue, ineffective targeting, potential market distortions
Private sector: Risk of changing regulations, complexity in eligibility and compliance

INVESTMENT LEVEL

Low
Immediate public spending is minimal, but reduced tax intake impacts future revenues

DURATION

Typically a maximum of 10 years

Resources

PUBLIC SECTOR

- Offers tax breaks (deductions, credits, exemptions, accelerated depreciation, VAT relief)
- Defines eligibility criteria and monitors compliance
- Adjusts or sunsets incentives based on effectiveness

PRIVATE SECTOR

- Invests capital into eligible activities (e.g., renewable energy projects, R&D, building retrofits)
- Claims tax benefits through annual filings or upfront exemptions
- Provides reporting as required to demonstrate compliance

Deliverables

EVALUATING PRIVATE INVESTMENTS

Ensuring that assets or services are aligned with public goals (e.g., EV charging, green building)

PUBLIC POLICY OUTCOMES

Broader benefits such as emission reductions, tech innovation, urban regeneration, or social inclusion

REVENUE ASSESSMENT

Monitoring of actual private sector investments triggered by the incentive

Benefits

- Encourages larger total investment at lower immediate public cost
- Can stimulate innovation, green economy, social inclusion, or entrepreneurship
- Reduces risk and cost barriers for private actors engaging in cutting-edge fields
- Programs can be revised or phased out as policy goals evolve

Challenges

- Firms may claim incentives for activities they would have done anyway
- Tracking compliance, measuring impact, and enforcing clawback clauses can strain administrative capacity
- Losses in tax income can create budgetary pressures
- Changes in government or fiscal priorities can create uncertainty for investors relying on tax advantages

Source: www.award.thegreencities.eu

Belgium Marshall Plan 2. Green

Context

To accelerate the green transition in Wallonia's housing sector, the Walloon regional government launched Marshall Plan 2. Green. The plan responds to rising energy costs, outdated building stock, and EU climate targets. Rather than relying solely on public investment, the region developed incentive-based mechanisms to stimulate private homeowner and landlord participation in large-scale building renovation.

How it works

While not structured around direct tax breaks, the plan uses financial incentives with market-like effects to drive private investment in public-interest goals.
Key instruments include:

- The Ecopack: a 0% interest loan that covers up to 100% of renovation costs for energy efficiency improvements
- Unified housing and energy bonuses, offering financial support for renovations
- Conditions tied to energy gains, ensuring impact and accountability

The mechanism lowers the upfront financial barrier for private individuals and property owners, nudging them toward investments that align with the region's public sustainability goals.

Impact

- Thousands of housing renovations initiated across Wallonia, especially in low- and middle-income households
- Energy consumption reduced per household, lowering emissions and utility bills
- Increased uptake of insulation, heat pumps, and solar technologies
- Financial tools reached a broad segment of private owners, expanding beyond those typically eligible for public grants
- Public-private leverage effect, where small public subsidies enabled large-scale private investment in sustainable upgrades

REVENUE-SHARING MODELS

Scope

Involve private entities financing, building, or operating a public asset or service, and recovering their investment through fees paid directly by users (e.g., tolls, utility tariffs, ticketing systems). A portion of the revenues is typically shared with the public sector, based on pre-agreed terms. Used in transportation, utilities, and cultural infrastructure.

Characteristics

RISKS

Moderate to high
Public sector: Risk of inadequate service pricing, political backlash, or loss of affordability
Private sector: Demand risk, revenue fluctuation, operational risk

INVESTMENT LEVEL

Moderate to high
Private partner often contributes significantly to capital expenditure and operating costs, with returns tied to usage levels

DURATION

Typically over 10 years

Resources

PUBLIC SECTOR

- May contribute land, partial funding, or regulatory approvals
- Provides usage rights, pricing frameworks, and demand guarantees (in some cases)
- Receives part of user-generated revenue

PRIVATE SECTOR

- Finances and operates the service
- Installs systems for billing, fee collection, or digital payments
- Maintains infrastructure and delivers service to end users
- Shares revenue with the public authority per contract terms

Deliverables

SERVICE DELIVERY

Infrastructure or service provision (e.g., metro lines, public charging stations, waste collection)

USER PAYMENT

Mechanisms to collect and manage user fees (e.g., toll booths, smart meters, online platforms)

MONITORING

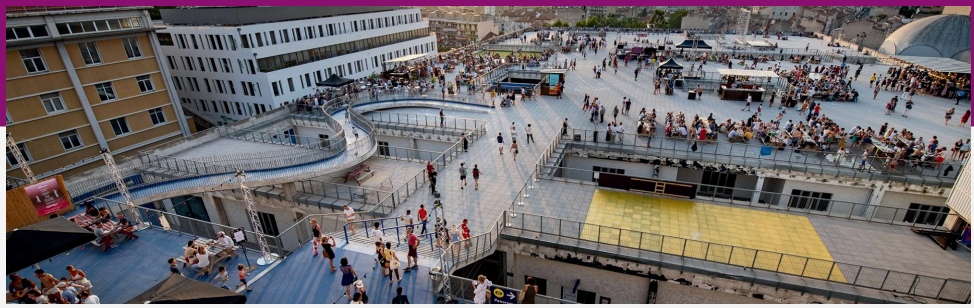
Ensuring service quality, responsiveness, and system uptime

Benefits

- Aligns private profit with service performance as high-quality service incentivises higher usage and returns
- Project costs are recouped by the private partner, not public funds
- Encourages efficiency in operations and service, as revenue depends on user satisfaction and use
- Public sector gains a long-term income stream as revenue-sharing generates recurring funds for reinvestment

Challenges

- Lower-than-expected usage can compromise investment recovery
- User fees must balance financial returns with accessibility for all
- Public authorities need the capacity to audit and validate revenue flows
- Political risk if essential services are seen as being commercialised



Source: Office de tourisme loisirs & congrès Marseille

Friche la Belle de Mai, Marseille

Context

In the early 1990s, the City of Marseille sought to revitalize the decommissioned Seita tobacco factory in the Belle de Mai district. The objective was to transform this industrial site into a vibrant cultural hub that would stimulate urban regeneration, foster artistic creation, and engage the local community. To achieve this, the municipality initiated a public-private partnership (PPP) model that combined public investment with private operational management.

How it works

- **Public Investment**: The city provided the initial capital for site rehabilitation and continues to support certain cultural programs.
- **Private Operation**: A consortium of cultural organizations manages the day-to-day operations, programming, and maintenance of the site.
- **Revenue Generation**: Income is derived from user fees, including ticket sales for events, space rentals for studios and offices, and commercial activities such as restaurants and shops.
- **Revenue Sharing**: The generated revenues are allocated to cover operational costs, with surplus funds reinvested into the site's cultural initiatives.

Impact

- Friche la Belle de Mai has become a prominent cultural venue, hosting numerous events, exhibitions, and performances annually
- The site has attracted creative industries and entrepreneurs, contributing to local economic growth
- The diverse programming and accessible spaces have fostered strong community involvement and social cohesion
- The successful transformation of the former industrial site has spurred further development and investment in the surrounding neighbourhood

LAND VALUE CAPTURE

Scope

Public mechanisms that recover a portion of the increased land value resulting from public investments (e.g., transit lines, parks, rezoning) or policy changes, by engaging private developers or landowners. The additional value created by improved accessibility or infrastructure is shared through charges, levies, joint development, or in-kind contributions, helping fund urban projects sustainably.

Characteristics

RISKS

Moderate
Public sector: Market volatility, legal/regulatory barriers, implementation delays
Private sector: Development risk, upfront cost burden, reduced profit margins

INVESTMENT LEVEL

Variable
Public sector funds initial infrastructure; private sector invests in adjacent developments and may contribute funds or public amenities in return for development rights

DURATION

Ongoing or tied to specific development projects

Resources

PUBLIC SECTOR

- Invests in enabling infrastructure (e.g., transport, utilities)
- Defines zoning incentives, density bonuses, or development charges
- Collects value (financial or in-kind) and ensures reinvestment in public services

PRIVATE SECTOR

- Receives added land development rights or increased property value
- Pays development levies, contributes land or amenities, or enters into joint development agreements
- May co-fund public improvements as part of the planning gain

Deliverables

INFRASTRUCTURE IMPROVEMENTS

New or upgraded transit, utilities, parks, and roads that unlock land value

PRIVATE DEVELOPMENT PROJECTS

Commercial, residential, or mixed-use construction on newly valuable land

VALUE REINVESTMENT / FINANCIAL CONTRIBUTIONS

Captured funds reinvested into city services or future infrastructure

Benefits

- Reduces reliance on public debt by linking investment to value creation
- Encourages development near infrastructure and prevents urban sprawl
- Enables public benefit from private profit and ensures fairer distribution of gains generated by public action
- Can be implemented through zoning, fees, or negotiated agreements

Challenges

- Requires strong data and modelling of baseline vs. post-development values
- Poorly calibrated schemes can deter investment or inflate housing prices
- Needs supportive regulation and stakeholder buy-in to be effective
- If not designed inclusively, LVC may benefit affluent zones while neglecting marginalised areas

Source: kingscross.co

King's Cross Redevelopment, London

Context

In the late 1990s, London authorities aimed to regenerate the derelict King's Cross industrial area and capitalize on the planned High Speed 1 rail link and St Pancras International station upgrade. A Land Value Capture approach was adopted within a public-private development framework to finance the supporting public infrastructure (roads, utilities, public spaces) without relying entirely on public budgets.

How it works

- A private consortium (Argent LLP, backed by institutional investors) was granted development rights over approximately 27 hectares of publicly owned land. In exchange, the developer agreed to:
- Fund and deliver key public infrastructure, including streets, squares, utilities, and transit connectivity
- Preserve heritage structures and meet public realm design criteria
- Share a portion of increased land value back to the public landowners (e.g. through leasehold payments and joint ventures)
- The uplift in land value was driven by the improved transport accessibility and master-planned, high-quality urban environment.

Impact

- Over £3 billion in private investment mobilized for mixed-use development
- 50 new buildings, 2,000 homes, and 10 public parks/squares delivered
- Major transport integration around King's Cross–St Pancras hub
- Significant land value uplift, enabling returns to public entities like Network Rail and London & Continental Railways
- Model replicated in other UK regeneration zones using similar land value capture principles

PERFORMANCE-BASED CONTRACTS

Scope

Payments to the private partner are directly tied to measurable service outputs or outcomes rather than inputs or processes. Commonly used in transport, utilities, energy, maintenance, and healthcare, PBCs focus on results, incentivising quality, efficiency, and innovation. Payment is conditional on meeting predefined KPIs.

Characteristics

RISKS

Moderate
Public sector: Risks related to poor contract design or weak monitoring
Private sector: Performance risk, penalties for non-compliance, variable revenue based on outcomes

INVESTMENT LEVEL

Low to moderate
Most investment relates to service delivery tools, technology, and personnel

DURATION

Typically a maximum of 10 years

Resources

PUBLIC SECTOR

- Defines service outputs and KPIs
- Establishes monitoring systems and evaluation mechanisms
- Disburses payments based on results (not costs)

PRIVATE SECTOR

- Provides the service or manages operations
- Accepts risk related to performance failures
- May innovate in delivery to meet or exceed performance targets
- Reports on performance data, verified by third parties or the public authority

Deliverables

PERFORMANCE MONITORING

Digital tools and audits to verify outputs and impact

ADAPTIVE MANAGEMENT

Flexibility to improve service delivery processes to meet evolving targets

INCENTIVE AND PENALTY STRUCTURE

Bonuses for over-performance, deductions or contract termination for underperformance

Benefits

- Encourages efficient use of resources and discourages wasteful practices
- Encourages innovation and cost-effectiveness as the private partner is free to improve delivery methods to meet targets
- Improves transparency and accountability as clearly defined outputs reduce contractual ambiguity
- Can include continuous improvement provisions and performance benchmarking

Challenges

- Poorly defined indicators can create disputes or unintended consequences
- Requires public sector capacity to track results and enforce terms
- Smaller operators may lack resources to manage performance-based models or absorb penalties
- Difficult to apply in areas where results are hard to quantify (e.g., education or inclusion programs)

Source: www.hans-haus.de

Germany KfW Efficiency House Standard

Context

To reduce emissions from the building sector and meet national and EU climate targets, the German government—through the KfW Bankengruppe, its public development bank—launched a performance-linked financing program for energy-efficient building refurbishments. The approach was designed to reward actual energy performance outcomes, not just completed renovations.

How it works

- KfW provides loans and grants to homeowners, housing associations, and developers who carry out energy-efficient refurbishments. Support levels are directly tied to the post-renovation energy performance, defined by a set of Efficiency House Standards:
- Efficiency House 55, 70, 85, 100, 115, and "Monument"
- The number reflects the building's energy use as a percentage of the legal maximum under the German Energy Conservation Ordinance
- The better the energy performance, the larger the financial support, with significant grant forgiveness and interest rate reductions for high-efficiency outcomes. Independent energy audits are required to certify compliance.

Impact

- Tens of thousands of buildings renovated, significantly improving energy performance
- Performance-based financing ensured public funds were tied to measurable environmental outcomes
- Up to 45% of investment costs subsidized for top-tier energy standards
- Standardized, transparent system increased trust and uptake among homeowners and investors
- Contribution to national climate targets, with substantial CO_2 emissions avoided in the building sector

SOCIAL IMPACT & PUBLIC INNOVATION

Mechanisms:

- *Corporate Social Responsibility (CSR) Initiatives*
- *Philanthropy & Foundations*
- *Impact Investment & Social Enterprises*
- *Social Impact Bonds (SIBs)*
- *Public Development Corporations*
- *Public procurement of innovation*
- *Innovation Partnerships*

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Scope

Private companies voluntarily invest in or support projects that deliver public or community benefits, such as environmental improvements, education, mobility, or social inclusion. They can include funding, in-kind support, infrastructure upgrades, or service delivery aligned with sustainability or equity goals.

Characteristics

RISKS

Low (Public) / Moderate (Private)
Public sector: Reputational risk if private interests dominate or greenwashing occurs
Private sector: Risk of unclear impact or weak alignment with brand values and community expectations

INVESTMENT LEVEL

Low to moderate
Typically funded directly by corporate budgets or foundations, not public sources

DURATION

Typically between 1-5 years

Resources

PUBLIC SECTOR

- Provides strategic alignment, space, or regulatory facilitation
- May help coordinate community or civil society participation
- Sometimes co-finances or provides political support

PRIVATE SECTOR

- Funds or implements socially beneficial projects
- Contributes expertise, technology, equipment, or volunteer time
- Aligns CSR actions with brand mission, ESG standards, or local impact goals

Deliverables

COMMUNITY PROJECTS OR PUBLIC AMENITIES

Urban green spaces, bike-share stations, school refurbishments, digital access points, etc.

SOCIAL PROGRAMS

Skills development, internships, educational campaigns, or health access initiatives

ENVIRONMENTAL CONTRIBUTIONS

Tree planting, emissions offsets, energy retrofitting, clean-up drives

Benefits

- Enables social or environmental progress without burdening public budgets
- Builds bridges between municipalities, companies, and civil society
- Companies gain social license to operate, and cities benefit from local investment
- CSR programs can be quickly adapted to emerging priorities or crises

Challenges

- Without accountability, CSR may prioritise image over real impact
- CSR efforts may be fragmented or misaligned with broader urban goals
- Projects may be discontinued if company priorities shift or funding decreases
- CSR often benefits areas with commercial interest, leaving others underserved

Source: www.platformademediu.ro

Environmental Platform for Bucharest

Context

Bucharest continues to face major environmental challenges: poor air quality, fragmented green spaces, and limited citizen participation in environmental planning. In response, ING Bank Romania partnered with the Bucharest Community Foundation to launch the Environment Platform—a collaborative funding and action mechanism designed to improve urban environmental quality through long-term civic and institutional partnerships.

How it works

- This initiative is structured as a CSR-driven collaborative platform, where ING provides strategic funding and convening support, while local organizations, experts, and citizens design and implement environmental projects.
- Key features:
- Thematic funding calls on topics such as biodiversity, waste, and green infrastructure.
- Microgrants for community-led initiatives (up to €15,000/project).
- Open calls for participation across all six districts of Bucharest.
- ING provides core support, while the Foundation ensures transparency, evaluation, and coordination.

Impact

- Over 11 million RON invested in environmental resilience projects (as of 2023).
- 36 local projects funded, including nature-based interventions and citizen awareness campaigns.
- Created a shared working space for over 100 NGOs, companies, and local authorities.
- Served as a replicable CSR model, now expanded to cities like Cluj.

PHILANTHROPY & FOUNDATIONS

Scope

They play a key role in funding or co-funding public interest projects, often in areas like education, health, climate action, digital equity, or cultural development. Foundations may operate independently or partner with municipalities, civil society, or research institutions.

Characteristics

RISKS

Low to moderate
Public sector: Reputational dependency, risk of fragmented strategies
Philanthropic actors: Reputational risk, uncertainty about long-term sustainability

INVESTMENT LEVEL

High
Philanthropic capital is often non-repayable and targeted at high-impact or underfunded areas

DURATION

Some foundations support multi-year programs, others provide short-term grants or pilot funding

Resources

PUBLIC SECTOR

- Provides regulatory and logistical support
- Aligns philanthropic funding with policy priorities
- May co-fund or provide implementation capacity

PRIVATE SECTOR

- Provides unrestricted or project-based financial support
- Offers research, advocacy, technical assistance, or convening power
- May bring global expertise or replicable models

Deliverables

PUBLIC GOODS OR SOCIAL SERVICES

Programs in education, environmental restoration, healthcare access, urban inclusion, and social innovation

CAPACITY-BUILDING AND PILOTS

Support for public sector innovation labs, research centers, or Living Labs

SCALING SUCCESSFUL MODELS

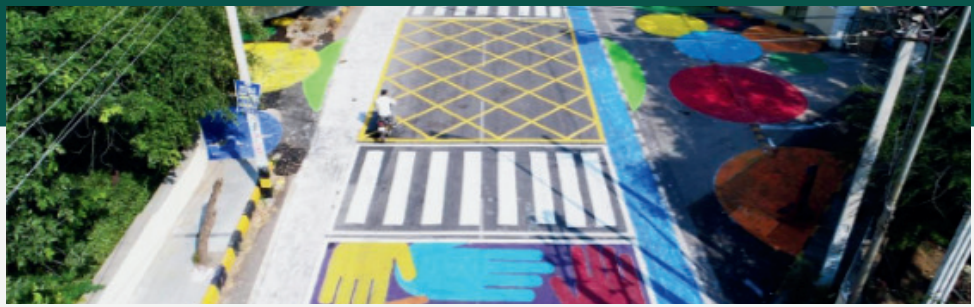
Transitioning pilots into long-term public programs (e.g., through matched public funding or policy adoption)

Benefits

- Philanthropy supports early-stage or experimental initiatives that the government may not finance directly
- Encourages cross-sector approaches and brings new actors into the public problem-solving space
- Often targeted toward marginalised groups or underserved geographies
- Many foundations invest in systemic change over time, beyond election cycles

Challenges

- Without sustainability plans, successful projects may disappear after funding ends
- Multiple funders with different priorities may complicate coordination and evaluation
- Foundations are not always subject to the same scrutiny as public entities
- Donors may shape project agendas without full local participation or legitimacy



Source: Urban95

Urban95 Amsterdam

Context

In the 2010s, the City of Amsterdam sought to make its urban environment more inclusive, particularly for young children and families. Recognizing the role of early childhood development in shaping future wellbeing, the city partnered with the Bernard van Leer Foundation, a philanthropic organization focused on children's development. The goal was to pilot new approaches that integrate children's needs into the fabric of urban design and services.

How it works

The Urban95 framework asks city leaders to design cities from the perspective of a 95 cm tall child. Through this partnership:

- The foundation provided funding, technical expertise, and international knowledge transfer
- The city contributed local governance, coordination, and integration into urban and mobility planning
- Pilot projects included child-friendly public spaces, parental support services, and data-driven planning tools (e.g. mapping early childhood infrastructure)
- This is a philanthropic-public partnership: non-profit funding supported public services and infrastructure, embedded within the city's planning strategies.

Impact

- New urban spaces co-designed for children and caregivers
- Cross-departmental integration of childhood development in urban planning and social policy
- Scalable models shared with other cities through the Urban95 network
- Increased political visibility for early childhood needs in planning agendas
- Long-term impact tools, including child-friendly mobility audits and play-based planning guides

IMPACT INVESTMENT & SOCIAL ENTERPRISES

Scope

Capital deployed with the dual aim of generating positive, measurable social and environmental impact alongside a financial return. Social enterprises are mission-driven businesses that reinvest profits to address societal challenges such as inclusion, education, sustainability, or health equity.

Characteristics

RISKS

Moderate
Public sector: Risk of impact dilution, difficulty in monitoring social outcomes
Private sector (investors/social enterprises): Financial risk, uncertain ROI, impact measurement complexity

INVESTMENT LEVEL

Low to moderate
Individual project sizes tend to be smaller than in infrastructure PPPs, but can be aggregated through funds or networks

DURATION

Typically under 10 years

Resources

PUBLIC SECTOR

- May co-invest or provide catalytic funding (e.g. grants, guarantees, subsidies)
- Facilitates access to services or clients
- Establishes legal frameworks and incentives for social enterprise
- Measures impact and aligns with SDGs or social policy

PRIVATE SECTOR

- Provides equity or debt with blended return expectations
- Designs and delivers socially beneficial goods or services
- Focuses on innovation, inclusion, and environmental sustainability
- Collects and reports on impact KPIs

Deliverables

IMPACT-DRIVEN SERVICES OR PRODUCTS

Job training for vulnerable groups, affordable housing, green micro-mobility solutions, food recovery

ECOSYSTEM BUILDING

Strengthening of local innovation and entrepreneurship networks with public involvement

REINVESTMENT OR SCALING MODELS

Profits reinvested in social mission or scaled via community capital

Benefits

- Philanthropy supports early-stage or experimental initiatives that the government may not finance directly
- Encourages cross-sector approaches and brings new actors into the public problem-solving space
- Often targeted toward marginalised groups or underserved geographies
- Many foundations invest in systemic change over time, beyond election cycles

Challenges

- Social and environmental outcomes can be difficult to quantify and standardise
- Many social enterprise-led projects are local and require aggregation for impact
- Many social enterprises lack collateral, scale, or track record to attract private capital without public guarantees
- Not all EU countries have strong policy frameworks for social enterprises or impact investing

Source: habitat-humanisme.org

Habitat et Humanisme, France

Context

France has long struggled with a shortage of affordable housing, especially for low-income families, elderly individuals, and people transitioning out of homelessness. To address this, the non-profit Habitat et Humanisme was founded to develop socially inclusive housing using private capital with a social purpose. Over time, the organization has evolved into a social enterprise, blending philanthropy, impact investment, and public sector collaboration to scale its work across French cities.

How it works

Habitat et Humanisme uses a hybrid financing model:

- Impact investors (including ethical banks and social funds) provide capital through social bonds or solidarity real estate funds, expecting modest returns and measurable social outcomes
- Foundations and philanthropic donors contribute grants or equity-like support
- Local governments partner by providing land, regulatory facilitation, or subsidies for socially targeted housing units

The model includes a long-term rental and support system, where residents benefit from both affordable rent and social services.

Impact

- Over 4,000 housing units created across more than 80 cities in France
- Mixed financing enables housing for people excluded from traditional markets
- Public-private-philanthropic synergy, allowing greater reach than alone Investors receive financial returns and certified social impact reports
- Model replicated and supported by national frameworks, including France's Social and Solidarity Economy (ESS) law

SOCIAL IMPACT BONDS (SIBS)

Scope

An outcome-based financing model where private investors fund social programs (e.g. homelessness prevention, youth employment, childhood development), and are repaid by the public sector only if pre-agreed outcomes are achieved. It's a risk-sharing partnership involving government, private investors, service providers, and independent evaluators.

Characteristics

RISKS

High (Private) / Low (Public)
Public sector: Pays only upon success — limited financial exposure
Private sector: Bears upfront investment, outcome risk

INVESTMENT LEVEL

Moderate
Larger investments from private actors, no upfront public expenditure

DURATION

Typically between 3 -10 years

Resources

PUBLIC SECTOR

- Defines outcome metrics, repayment terms
- Pays only if success is demonstrated
- May help select service providers and approve the project structure

PRIVATE SECTOR

- Provides upfront capital to fund delivery
- Accepts risk of non-repayment if outcomes aren't met

SERVICE PROVIDERS

- Design and implement programs
- Operate with performance pressure but with access to sustained funding

Deliverables

SOCIAL PROGRAMS

Services focused on defined objectives (e.g., school readiness, chronic homelessness, refugee)

MEASURABLE OUTCOMES

Clearly defined metrics: % of individuals employed, housing stability

OUTCOME-BASED REPAYMENT

Public authority pays investors only if goals are met, with possible return-on-investment

Benefits

- Minimises fiscal waste and encourages accountability in spending, as the public sector pays only for results and
- Non-profits and social enterprises can try new approaches without immediate budget pressure
- Attracts mission-aligned investors into areas traditionally funded by the government
- Aligns incentives between funders, implementers, and policymakers

Challenges

- Requires time, legal support, and multi-party coordination
- Difficult to define and measure some social outcomes and risks of oversimplifying complex issues or focusing on what's easiest to measure
- Structuring, monitoring, and evaluation expenses can be significant
- SIBs often require service providers with administrative capacity and track records

Source: Cassie Barton

Rough Sleeping SIBs, UK

Context

In the early 2010s, the UK government faced rising rates of chronic homelessness and the limitations of traditional funding models that paid for activities rather than outcomes. To address this, it launched several Social Impact Bonds (SIBs), including dedicated programs to reduce rough sleeping and support long-term reintegration of the homeless population. This approach attracted private investors and philanthropic funders, who backed intervention models in exchange for outcome-based returns.

How it works

- Private and philanthropic investors funded service delivery by social enterprises and NGOs
- Interventions focused on housing-first approaches, mental health support, and employment reintegration
- The government repaid investors only if agreed outcomes (such as sustained housing or employment) were met
- Independent evaluators measured results and triggered payments

Funders included ethical investment funds and foundations, while service providers were specialized charities like St. Mungo's and Thames Reach.

Impact

- Over 1,000 individuals housed across multiple pilot areas
- Investors repaid with returns when success thresholds were achieved (e.g. sustained housing over 12+ months)
- Public money spent only on proven impact, improving cost-efficiency
- Multi-sector collaboration: local authorities, social enterprises, foundations, and private capital
- Helped mainstream outcome-based funding and the use of SIBs across other UK policy areas (e.g., youth employment, mental health)

SOCIAL IMPACT BONDS (SIBS)

Scope

Publicly owned or mixed-ownership entities created to plan, develop, and manage large-scale urban projects such as housing, regeneration zones, ports, or innovation districts. They act with more flexibility than traditional municipal departments and can enter into joint ventures, lease land, manage assets, and coordinate investment — often blending public authority with private-sector efficiency.

Characteristics

RISKS

Moderate
Public sector: Political risk, accountability concerns, financial exposure through capital injection
Private sector (in joint ownership cases): Development risk, governance disagreements

INVESTMENT LEVEL

High
Public capital is typically used to launch the corporation and leverage additional funding through land sales, leases, or partnerships

DURATION

Long-term

Resources

PUBLIC SECTOR

- Provides land, seed capital, or legal authority
- Retains control or strong oversight through governance structures
- May assign planning, permitting, or asset management functions to the PDC

PRIVATE SECTOR

- Invests equity or debt
- Participates in project development or asset operation
- May co-own Special Purpose Vehicles for individual projects

Deliverables

URBAN DEVELOPMENT PROJECTS

Mixed-use districts, affordable housing, public buildings, port terminals, industrial clusters

STRATEGIC PLANNING

Coordinated masterplans, design guidelines, and project pipelines

LONG-TERM GOVERNANCE

Enables consistent urban development beyond political cycles

Benefits

- Combines strategic planning, finance, and real estate management under one roof
- Improves public land value and coordination, and develops infrastructure systematically
- Attracts private investment through a professionalised structure
- Can act faster and more commercially than municipal departments

Challenges

- Risk of reduced transparency and accountability as corporations may fall outside usual public sector controls
- Over time, governance can be influenced by shifting political priorities or market forces
- Requires strong institutional capacity and skilled staff and strategic vision are essential for success
- Risk of tension or duplication with other public bodies if roles aren't clearly defined

Source: www.linkedin.com/company/mdat

Major Development Agency Thessaloniki

Context

To tackle complex urban and sustainability projects, Thessaloniki founded the Major Development Agency in 1994—a public company supporting local municipalities with technical and managerial expertise for initiatives beyond their individual capacities. It now plays a key role in coordinating metropolitan-scale interventions, including housing, resilience planning, and EU-funded programs.

How it works

The agency functions as a Public Development Corporation with a hybrid governance and financing structure:

- Owned primarily by Thessaloniki City (56%), with shares held by 10 neighboring municipalities and other public entities
- Governed by a General Assembly and Board of Executives, with equal voting rights for municipalities, ensuring democratic representation
- Operates under contractual agreements with municipalities to provide services for project planning, funding access, and implementation
- Receives funding from national sources, municipal contributions, and EU programs (e.g. Horizon Europe, Interreg)

Impact

- Led integrated sustainable development projects across Thessaloniki and the wider metropolitan area
- Provided municipalities with technical capacity and access to EU funding
- Enabled collective urban mobility and social housing strategies, aligned with regional and European goals
- Promoted green transition and climate resilience by coordinating the metropolitan Green Deal commitments
- Established a replicable model for metropolitan development corporations, balancing local needs with national and EU strategies

PUBLIC PROCUREMENT OF INNOVATION

Scope

A process where public authorities purchase innovative goods, services, or systems that are not yet widely available on the market, in order to address unmet societal or environmental needs. This mechanism is widely used to stimulate market creation and support the development of smart city technologies, clean energy solutions, digital infrastructure, or sustainable mobility.

Characteristics

RISKS

Moderate to high
Public sector: Financial and reputational risk if innovation fails or underperforms
Private sector: R&D risk, uncertain return on investment, performance risk

INVESTMENT LEVEL

Moderate to high
Depending on the complexity of the product or service, both public and private partners may invest in development, piloting, and scaling.

DURATION

Typically between 2 to 5 years.

Resources

PUBLIC SECTOR

- Defines unmet needs or problems (challenge-driven procurement)
- Funds product or solution development
- Facilitates piloting and provides a real-world deployment context
- Ensures procurement aligns with innovation policies and public interest

PRIVATE SECTOR

- Develops or adapts solutions to meet specific challenges
- May form consortia (including SMEs, startups, research institutions)
- Conducts piloting, testing, and iteration
- Delivers functional, scalable services

Deliverables

FULLY FUNCTIONAL SOLUTIONS

Deployment of final, market-ready innovation (e.g., AI traffic systems, energy-saving public lighting)

PROTOTYPES OR DEMONSTRATORS

Early versions of products or systems tested in real-life urban or institutional settings

SCALABILITY & COMMERCIALISATION

Market entry for innovative providers and potential cost reductions for the public sector

Benefits

- Solves unmet public needs using forward-looking approaches
- Encourages R&D, startup growth, and industry-academia collaboration
- Creates public sector demand for early-stage technologies
- Innovative solutions can reduce lifecycle costs and emissions or improve service quality

Challenges

- Public authorities must shift from traditional buying to challenge-based commissioning
- EU procurement rules must be followed even for pre-commercial approaches
- Not all innovation succeeds; contracts must manage this possibility
- Smaller firms may struggle to meet documentation or eligibility thresholds

Source: Rasmus Grandelag

Amager Bakke Copenhagen

Context

To meet its climate goals and modernize urban waste infrastructure, Copenhagen's Amager Resource Center—a utility owned by five municipalities—developed Amager Bakke (CopenHill): a cutting-edge waste-to-energy plant integrated with public recreational functions. The project required innovative design and environmental performance, making it a flagship example of Public Procurement of Innovation.

How it works

The Amager Resource Center, a public consortium, issued procurement calls that prioritized innovation in design, engineering, and environmental performance
Contracts were awarded to private firms specializing in high-efficiency incineration technology, low-emission design, and iconic architectural integration (including BIG Architects)
The process involved collaborative design phases, where the public client co-developed solutions with the private sector
Key innovations included energy recovery systems, ski slope and climbing wall integration, and public education components

Impact

- Processes 400,000 tons of waste annually, producing electricity and district heating for 150,000 households
- Reduces CO_2 emissions significantly compared to older waste treatment plants
- Became an international icon of multifunctional infrastructure combining climate action with public benefit
- Showcases how PPI mechanisms can unlock creative, high-performance solutions through structured public-private collaboration
- Strengthened Copenhagen's reputation as a global leader in sustainable urban innovation

INNOVATION PARTNERSHIPS

Scope

Formal collaborations between public authorities and private or academic partners to co-develop new products, services, or solutions tailored to a specific public need. They are often used when no suitable solution exists on the market, and the public sector seeks to jointly design, test, and procure an innovative outcome

Characteristics

RISKS

Moderate to high
Public sector: R&D failure risk, procurement complexity, reputational exposure
Private sector: Market uncertainty, cost of development, dependency on public uptake

INVESTMENT LEVEL

Moderate to high
Both public and private partners co-finance the research, development, and testing phases; full implementation may require additional investment

DURATION

Typically between 3 to 7 years

Resources

PUBLIC SECTOR

- Identifies an unmet public need / challenge
- Defines performance criteria and procures the partnership competitively
- Co-finance R&D and provides test environments (e.g., Living Labs)
- Retains the option to procure the successful solution after development

PRIVATE SECTOR

- Contributes R&D expertise, technical development, and testing
- May include start-ups, SMEs, research institutes, or universities
- Works iteratively with public actors to co-create viable solutions
- Responsible for scalability and delivery of the final innovation

Deliverables

R&D OUTPUTS AND PROTOTYPES

Co-created innovations ranging from digital platforms to green technologies or service models

CO-DESIGN & USER TESTING PHASES

Pilots or proof-of-concept solutions tested in real-world environments

PROCUREMENT CONTRACT

Finalised agreement for full-scale deployment of the innovation, if performance goals are met

Benefits

- Encourages demand-driven innovation tailored to cities or service providers
- Bridges the gap between experimental solutions and market-ready deployment
- Reduces market risk for innovators as public participation increases confidence in solution uptake
- Facilitates long-term partnerships between governments, academia, and industry

Challenges

- Requires clear legal structure, procurement procedures, R&D management capacity
- Innovation may fail to meet performance expectations or usability standards
- Benefits are not immediate, making it less attractive for short-term goals
- Many cities lack the technical skills or internal mandate to initiate innovation partnerships

Source: www.greenerideal.com

Clean Energy Transition Partnership

Context

To accelerate the transition towards a climate-neutral Europe, the European Union launched the Clean Energy Transition Partnership (CET Partnership) in 2022. This initiative aims to bolster collaboration between public authorities, research institutions, and private enterprises, particularly within industrial clusters, to develop and implement innovative clean energy solutions.

How it works

The CETPartnership operates as a transnational program that co-funds research and innovation projects. Key features include:

- Joint Programming: Pooling national and regional R&D funding to support collaborative projects across borders
- Industry Engagement: Encouraging participation from industrial clusters to ensure that research outcomes are aligned with market needs
- Focus Areas: Targeting sectors such as renewable energy integration, energy storage, and industrial decarbonization
- Innovation Support: Providing resources for projects that demonstrate potential for scalability and significant impact on energy transition goals

Impact

- Funded numerous projects contributing to EU climate objectives
- Enhanced collaboration between research institutions and industry, facilitating knowledge transfer and innovation
- Promoted industrial clusters as engines of clean energy transformation
- Enabled long-term innovation ecosystems that align national R&D strategies with EU-wide climate goals

Photo: Mitchell Luo, Unsplash

Enabling public-private partnerships: Guidelines for key actors

This guide is grounded in practical examples and mechanisms, but its core message is clear: public-private partnerships are no longer optional—they are essential. Across Europe, they are helping cities unlock capital, scale innovation, and deliver high-quality services faster, smarter, and more sustainably.

PPPs are already transforming how we tackle urban challenges—from modernizing hospitals in Tallinn, to building circular neighbourhoods in Amsterdam, to rethinking green infrastructure in Romania. But their success doesn't rely on contracts alone. It relies on collaborative governance, where all actors—public, private, and civic—bring their strengths to the table, share risks, and commit to delivering public value.

Just like participation, PPPs are not a fixed formula. They can start in many ways:

- From municipal leadership, as in Zagreb's wastewater investment or Vienna's monetization strategy;
- From private initiative, like Stockholm's Wood City led by green developers;
- Or through cross-sector experimentation, like Site 4016 in Stavanger or NEB-linked projects in Romania.

This guide offers tailored pathways for each actor—whether you're designing your first partnership or expanding existing ones. You'll find insights on structuring contracts, managing risk, and aligning public and private incentives for long-term success.

Because the path to climate-neutral, inclusive cities doesn't just depend on how much we invest—but how we collaborate.

Public Sector: Set the urban vision

Cities that lead on climate neutrality know one thing: public-private partnerships are not just about funding—they're about framing shared goals and governing with clarity. Municipalities, state agencies, and national ministries are critical in creating the conditions for impactful, transparent, and fair PPPs.

🟢 **Just Starting?**
Start small, but strategic. Even short-term service contracts can unlock efficiency and build trust.

- Map existing public assets and services with PPP potential
- Pilot a management contract for public services (e.g., water, lighting)
- Develop internal capacity to monitor contracts and assess risks

🟡 **Some Experience?**
Strengthen governance and coordination. Cities like Tallinn and Vienna show the value of structured, accountable partnerships.

- Create a PPP taskforce or unit within city hall
- Align PPPs with broader planning, budgeting, and climate goals
- Use risk-sharing models to engage private actors while protecting public value

🔵 **Leading the Way?**
Institutionalize your approach. Mature cities treat PPPs as part of systemic transformation.

- Develop a municipal PPP strategy and transparent pipeline
- Link PPP projects to Climate City Contracts or NEB initiatives
- Partner with development banks or EU programs for co-financing and innovation support

Private Sector: Build better what matters for cities & citizens

Private companies bring innovation, capital, and delivery expertise—but lasting partnerships require more than technical performance. Today's PPPs call for alignment with public purpose, clear accountability, and shared risk.

Just Entering the Space?
Start by understanding the ecosystem. Know the frameworks, the actors, and the long-term value you can bring.

- Identify sectors with PPP demand (mobility, waste, education, energy)
- Join local working groups or pre-tender consultations
- Understand procurement rules, contract types, and value-for-money expectations

Some Experience?
Raise your partnership game. Go beyond compliance—become a proactive, trusted collaborator.

- Align business models with social and climate outcomes
- Propose innovation-driven PPP models (e.g., BOOT, revenue sharing)
- Build consortia with NGOs or research institutes to co-develop solutions

Advanced Actor?
Shape the market. Leading firms co-create new models for long-term, resilient urban infrastructure.

- Invest in impact measurement and transparent reporting
- Co-design place-based solutions with cities and communities
- Support Living Labs and PPP pilots tied to NEB or Horizon Europe programs

Organisations: Bridge the urban sectors to unlock future impact

Whether NGOs, development agencies, universities, or civic platforms—facilitating organisations are the glue that holds PPP ecosystems together. They help build trust, align incentives, and accelerate learning.

🟢 **Just Starting?**
Support from the sidelines. Build awareness and map actors who could benefit from structured collaboration.

- Organize PPP literacy workshops for public and private actors
- Translate EU tools and models into local guides
- Curate case studies and host public debates

🟡 **Some Experience?**
Act as a connector. Become a trusted interface between governance and innovation.

- Facilitate matchmaking between municipalities and solution providers
- Prototype partnership formats (e.g., LDOs, impact bonds, joint ventures)
- Help de-risk early PPPs with co-funding or technical support

🔵 **System-Level Actor?**
Shape systems for scale and equity. The best facilitators influence policy and practice across sectors.

- Co-design frameworks for inclusive, climate-aligned PPPs
- Advise on policy reform or institutional PPP strategies
- Anchor long-term platforms (e.g. PPP labs, innovation zones, mission hubs)

Photo: Sable Flow, Unsplash

Resources for the future

For cities seeking to leverage public-private partnerships to advance sustainable and climate-resilient urban development, a growing ecosystem of institutions, networks, and pilot projects across Europe provides expertise, frameworks, and practical models for collaboration.

Organisations to follow

European Investment Bank (EIB)

Offers technical assistance, funding instruments, and best practice guidance on urban PPPs and infrastructure investment through initiatives like JASPERS and URBIS.

European PPP Expertise Centre (EPEC)

Hosted by the EIB, EPEC provides cities and public authorities with strategic advice, case studies, and toolkits for designing and managing effective PPPs.

World Bank PPP Knowledge Lab

Offers comprehensive resources on PPPs, including legal frameworks, sector-specific guidance, and country profiles.

United Nations Economic Commission for Europe (UNECE)

Promotes "People-first" PPPs that align with the Sustainable Development Goals (SDGs).

CEMR – Council of European Municipalities and Regions

Advocates for stronger local governance tools, including partnerships with private actors for service delivery and infrastructure.

Publications to read

United nations Economic and social council
A Review of Public-Private Partnerships for Infrastructure Development in Europe, National Experience with PPP Units/Task Forces and the Main Ingredients of Successful PPP Units.

EIB's Study on PPP Legal & Financial Frameworks in the Mediterranean
Analyses the legal and financial environments for PPPs in Mediterranean partner countries.

URBACT articles
Case-based insights from European cities using PPPs and hybrid financing models in regeneration and mobility.

Public-Private Partnerships in Urban Infrastructure: Roles and Risks - OECD
Explores how cities use PPPs, what governance frameworks are needed, and how to mitigate financial and political risks.

Photo: Monstera Production, Pexels

Toolkits to use

PPP Reference Guide (Version 3.0) – World Bank, ADB, and Inter-American Development Bank
A comprehensive guide covering PPP concepts, project identification, structuring, risk allocation, and regulatory frameworks.

EPEC PPP Guide – European PPP Expertise Centre (EIB)
Offers a detailed step-by-step approach to developing PPPs, from project preparation to procurement and contract management.

EPEC Toolkit for Municipal PPPs (specifically tailored for cities)
Focuses on the unique challenges and opportunities of PPPs at the municipal level, including local governance and risk management.

OECD PPP Framework for the Governance of Infrastructure
A policy-oriented toolkit with standards and checklists for transparency, efficiency, and accountability in infrastructure PPPs.

UNESCAP PPP Online Resource Platform
A library of guidelines, model contracts, and case studies focused on sustainable infrastructure, especially for SDG-aligned projects.

Photo: Alex Lion, Unsplash

Published by

UrbanizeHub

With the support of

Iceland Liechtenstein Norway grants
Norway grants

In collaboration with

Mirror Mission Cities Hub Romania